The MAGAZINE of WALL STREET

November 3, 1928 — G. Wyckoff, PUBLISHER — 35 Cents a Copy

The Future Of Radio

World Economic Position 10 Years After the War

8 Bargains in Stocks Selling Below Asset Value

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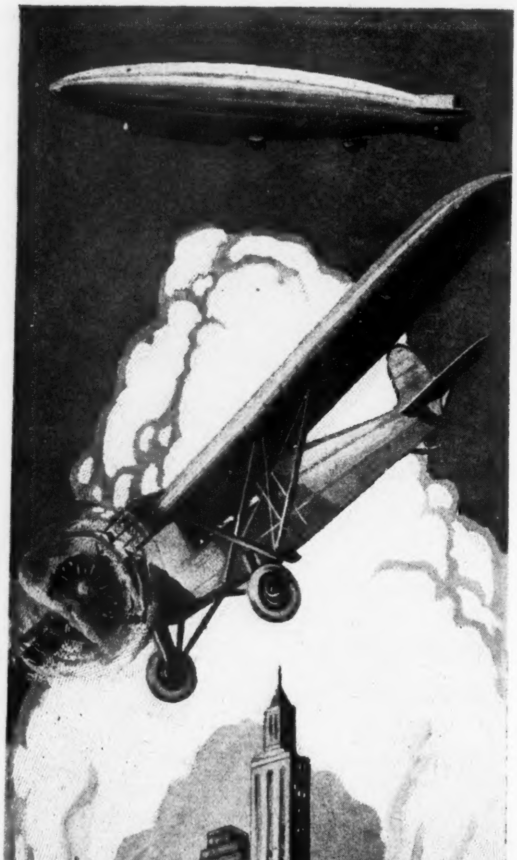

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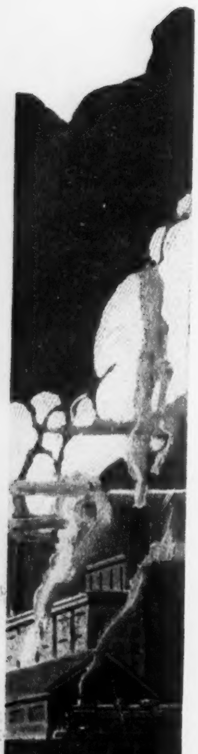

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CONTENTS

Vol. 43, No. 1 **November 3rd, 1928**

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For in the Atlanta Industrial Area you can cut production costs. Operating from Atlanta your Southern sales organization will exceed the most optimistic quota you care to set.

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These economies, plus many more, enable the producer in the Atlanta area to take a better profit, yet go into market with a distinct edge over his competitors in the old, congested centers of American Industry. And these factors, taken together after the most painstaking study, have made this a humming, busy industrial district.

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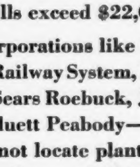

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It contains the fundamental facts about Atlanta as a location for your Southern branch.

ATLANTA

Industrial Headquarters of the South

"News" Values in a Bull Market

IT is interesting to observe the influence of "news" on a bull market. Optimistic statements, favorable news items and constructive views of bankers and brokers, invariably receive wide-spread attention and frequently become the signal of a new bullish demonstration on the Stock Exchange. Bearish news or unfavorable statements are politely ignored, unless the market happens to be ripe for a technical reaction and then the liquidation that would ordinarily be experienced anyhow, is attributed to the particular bit of bearish news that appears in the public prints at the moment. On the whole, however, it is pretty much of a one-sided proposition. The market advances on favorable reports and turns a cold shoulder to the unpleasant items.

It is seldom that two entirely opposed statements from the same source are seen to have exactly the same effect on the course of the market. It remained for Mr. Raskob of General Motors and Alfred E. Smith fame to supply this interesting sidelight on "news" and the stock market. Prior to his entrance into the political arena, Mr. Raskob was always identified with the "constructive" school of thought in stock market circles. He is the gentleman who is reported to have placed $225 a share as a fair market price for General Motors. His name coupled with any particularly active stock was always good for a renewed burst of enthusiasm in the market performance of the stock so favored. When Wall Street seemed to be uneasy about the forthcoming election, Mr. Raskob told stock buyers that his candidate would also be good for business prosperity and confidence was restored thereby, at least in the price trend of leading issues immediately following his statement.

In the early part of October, however, Mr. Raskob played a new role—one that Wall Street found it difficult to associate with the great bull leader of previous months. "Stock prices are too high Raskob declared" was the headlines that appeared in the newspapers over the official statement which further outlined the bearish position of this former market leader.

Due to his known interest in spectacular upward movements in the stock market, the statement caused quite a sensation among those who lingered in board rooms after the close of the market when the statement first appeared. The "material readjustment" that Mr. Raskob said was necessary, however, was confined to a nominal amount of scattered selling at the opening of the market next day. Even before the session had closed, the Raskob statement was forgotten in a continued advance in prices. As a bear looking for lower prices, the popularity of the role did not last out the day; it proved to be the sort of comment that lacked "news" value in a bull market.

And a prominent commentator, after noting a "brief period of selling due to Mr. Raskob's statement," added this penetrating observation:

"Brokerage houses commented upon the fact that Mr. Raskob's bearish statement did not have the same effect upon the market as his optimistic utterances once had."

In the Next Issue—November 17th

Interpreting the Election in Terms of Business, Finance and the Market

NO matter which candidate is elected the choice is linked with an element of change. How is business in general likely to be affected under the new regime? What financial and stock market repercussions may be anticipated? These timely questions, uppermost in many minds, will be discussed in able fashion.

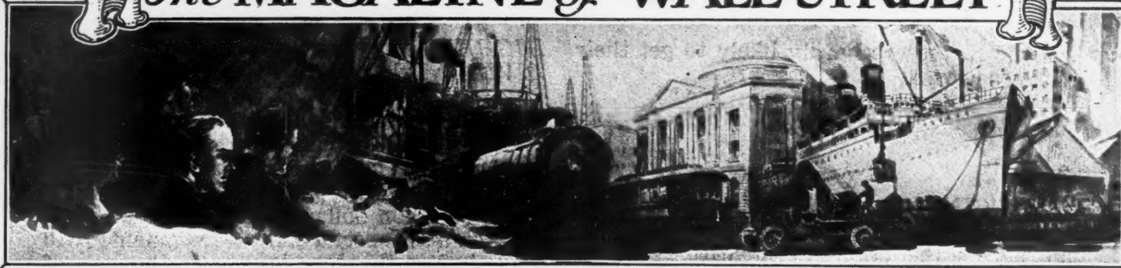
Low Priced Stocks Attractive Now

DESPITE the broad advance in the market during the past several months, there are still some low-priced issues which have so far escaped attention. Many of these on careful scrutiny exhibit attractive qualities, both from an intrinsic and market standpoint. Our staff has selected eight which should be in a position to produce profits within a reasonable period.

Securities Likely to Be Affected by Aviation

A GREAT deal of interest has attached to the aviation stocks, not only as a result of their rising tendency and market activity, but because the potentialities of commercial aviation are becoming more apparent. At the same time many of the issues are so new that the investing public is seeking more information concerning them. Accordingly, we present this study of securities connected with or influenced by aviation with suitable ratings for the leading companies.

The MAGAZINE of WALL STREET



C. G. WYCKOFF
PUBLISHER

E. D. KING
MANAGING EDITOR

INVESTMENT & BUSINESS TREND

Are Stocks Too High?—New Financing—Business Makes New Advances—Prospects for Increased Dividend Disbursements—The Market Prospect

NOT the least interesting among the developments at the recent sessions of the Investment Bankers' Association of America were the various expressions of opinion rendered on the position of stocks. Most commentators felt that "stocks were too high" based on their earnings and dividend prospects. Yet, if we wish to analyze this statement, we will find it very difficult to decide upon what basis stocks may be said to be too high or too low, for that matter.

A convenient standard of value is the ratio of selling price per share to earnings per share. Some years ago, it was felt that a stock ought generally to sell at about ten times its current earning power. In other words, if a stock were reasonably certain of earning say $10 a share, its selling price ought to be in the neighborhood of $100 a share. Today, however, this criterion of value is ignored. Many stocks are selling at fifteen and even twenty times their earning power or from 50 to 100% higher than they would have sold a few years ago with the same prospects.

Certainly, if we compare present prices with those of several years ago, they seem excessively high. However, it is possible that a new standard of value is in the making, one which accepts 15:1 as the correct ratio of selling price to earnings. It is certainly clear that this basis of value is affecting a steadily increasing number of securities. Formerly, it was thought that the new ratio involved only special types of stocks such as the public utilities and merchandising groups. Now it is held that even automobile stocks may sell on a basis of fifteen times their earnings. As a matter of fact, copper stocks are now selling at between twelve and thirteen times their earnings despite the fact they are essentially liquidating propositions and as such should sell at a comparatively small ratio of price to earnings. The fact that people are willing to pay such high premiums for earning power indicates two things: (first) that there is great general confidence in the permanence of large earning power for America's leading corporations and, second, that the floating supply of such issues has so diminished in the past few years that new buyers must be content with paying a relatively high price, for original holders or those who have held for the past few years are unwilling to sell even to take the large paper profits which have accrued.

It is perfectly possible, of course, that the reluctance of "long" holders to sell is creating an artificial basis of values for new purchases, since these are arriving at a time when the supply is light and the price high; with funds ready for investment, they are perforce compelled to enter the investment market at a disadvantageous period. Probably, the latter theory is correct. It is to be doubted, really, that the underlying standard of value has materially changed. More likely, the inevitable downward adjustment in prices has simply been postponed pending general realization that present buyers at

1907 Business, Financial and Investment Counselors "Over Twenty Years of Service" 1928

inflated prices are hardly likely to get their money's worth.

NEW FINANCING

VOLUME of new bond issues has fallen off quite sharply in the past few months owing to high money rates and the inability of investment houses to stimulate interest in new bonds offering much less than the current money rate. On the other hand, the increase in the number of companies making new stock offerings has gone unnoted among financial writers. Yet this has been an important development. Some of these companies have taken advantage of the current interest in the stock market to make substantially attractive offerings of new stock at prices well below the market, thus conferring valuable "rights" to recipients. Few companies would care to finance with bonds if they could do so with stock. Present reluctance of bond houses to undertake the sale of low interest-bearing securities in a high-money market simply plays into the hands of companies desirous of financing. Public eagerness to participate in such new stock offerings has been clearly indicated in recent weeks. It is probable that the next few weeks will see important announcements of new financing via the stock route.

BUSINESS EXPANDS

THE fourth quarter of the year opened up auspiciously. Business improvement, if anything, seems to have gained momentum. Practically all the leading industries report continued gains. Car loadings are showing sharp increases with prospects for a very satisfactory fourth quarter in railroad earnings. Steel operations are still high and with prices up, it seems definitely assured that fourth quarter earnings will surpass any previous period this year. Even among the more depressed industries such as coal and textiles there are signs of improvement. Building continues active with prospects that heavy construction records will be broken during the next few months. Buying power of farmers has been stimulated by the large crops and although prices are still low, net return to farms this year promises to exceed that of last year. Labor is well employed at good wages, the percentage of unemployment recently having shown a decline. Altogether, the present situation is quite satisfactory from the viewpoint of volume of production and consumption, with good profits to well-managed business organizations.

HIGHER DIVIDENDS

AS a result of continued expansion of earnings, there has been a considerable increase already in the total dividend disbursements. Several good-sized extras have been declared and one merchandising company has just cut a quarter of a billion dollar melon. It is expected that similar spectacular developments will occur before the year is over in the case of several of the larger corporations. With a good business year practically assured and with prospects that business will continue fair for a period, it seems likely that the advent of the Christmas season will be marked by declarations of increased dividends and extras by a number of the more prosperous corporations.

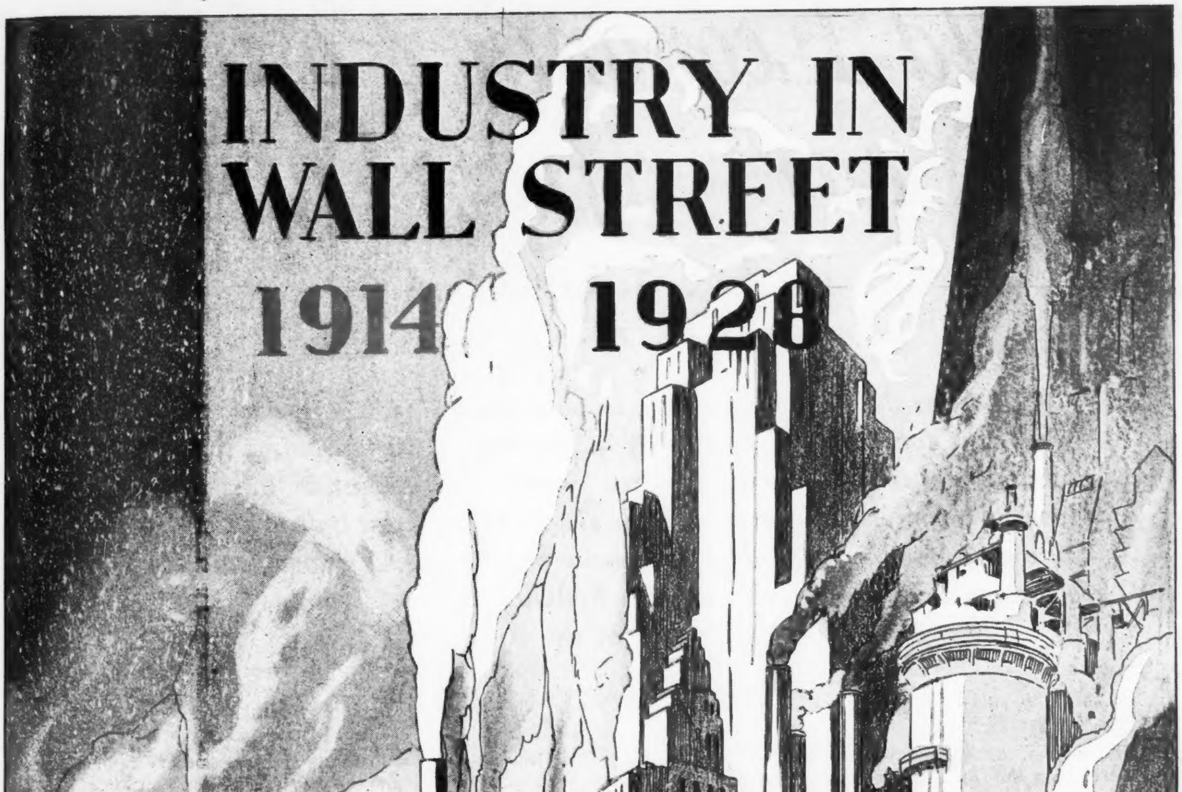
THE MARKET PROSPECT

NOTWITHSTANDING the sharp advances staged by individual stocks and the prevailing atmosphere of general bullish enthusiasm, action of the stock market in recent weeks suggests that there is considerable confusion of sentiment concerning the future trend of prices, even among the more sophisticated traders. The public remains in a buying mood, but with an ear to the constantly reiterated warnings against security loan inflation, is manifestly keeping accounts amply margined. Spasmodic attempts to unsettle the market by bear drives have thus far failed to prove effective.

Following the period of vacillation which characterized the average price movement during the last three weeks of September, speculation for the rise assumed new vigor, carrying numerous stocks to still higher levels. The market's pause after the rapid advance of early October was seized upon as a fresh encouragement for a drive by bearish professionals last week. Despite the surprise nature of the setback and the scope of the reaction, the market does not seem to have been materially shaken. Its principal consideration is with the improvement in various industries, notably copper, and the generally favorable nature of third quarter earnings statements. The frequent recurrence of reactions has tended to keep the list in a sound technical position and, at the same time, has tended to restrain the sort of extreme ebulliency which brings more severe correction. In other words, there has lately been less evidence of unreasoning speculation than might be expected. With the presidential election in the offing, the political factor is receiving some attention but its influence is clearly less potent than considerations having to do with such fundamentals as earning prospects.

Monday, October 29, 1928.

INDUSTRY IN WALL STREET 1914 1928



WITHIN the compass of little more than a decade Wall Street has thrown off the shackles of local limitations and assumed its place as the money capitol of the world. Whereas railroad securities and a handful of industrials once constituted the bulk of its operations, today it is the judgment seat before which all manner of industrial enterprise is evaluated, and from which all business derives its capital life blood. Through its broad functions a renaissance has been possible for war-torn Europe; and at home a nation of investors has become a partner in the commerce and industry of the world.

World Economic Position— Ten Years After The War

By DR. JULIUS KLEIN

Director U. S. Bureau of Foreign and Domestic Commerce

WE take the greatest pleasure in publishing this magnificent analysis of the forces which have been in process of transforming the world's economic destiny during the past ten years. Dr. Klein, in this work, has given us a comprehensive account of the great business, industrial and financial developments of the day. Business people and investors generally will recognize the unusual value of this brilliant commemoration of the tenth anniversary of the Armistice.

IN TWO PARTS—PART I

ONE of the tourists' sights of sleepy Seville is the sprawling old fortress-like tobacco factory, the scene of the adventures of Bizet's immortal Carmen. But, though much of the haughty old Andalusian capital has remained unchanged through the centuries, the interior of this ancient land-mark is not what it used to be in the days of the dark-eyed senorita of operatic fame. The transformation which has gone on within those hoary walls is indeed only one small episode but it illustrates much that has happened throughout the world of business in these past ten years.

In fact, the interest of that episode, though of an entirely different category, is in a way no less dramatic than the fantastic imaginings of the great French composer as he viewed the same scene many years ago. Today as you approach the grim entrance of the old building you hear a clatter which sounds like the castanets of old, but on penetrating to the vast, dim interior you find, instead of the long rows of swarthy Sevillanas glancing out from under their pink garlanded locks, a seemingly endless array of batteries of compact cigarette-making machines—from Cincinnati, Ohio.!

An Economic Revolution

Verily, the days of romance seem to be over! Even the genius of a Bizet would have difficulty in weaving an aria about such soulless mechanisms, each of which reels out a hundred times as many "smokes" as the deft fingers of a dozen Carmens. And, if the great Frenchman were to return to his old haunts a few months hence, his soulful emotions over the leisurely charm of Andalusia would be reduced to speechless amazement by a noise even more appalling than that of these chattering Cincinnati "mechanical Carmens"—the roar of the big dirigibles of the Seville-Buenos Aires air lines, a direct heritage of the astounding wartime achievements in aeronautics.

The war had no patience with picturesque antiquity. It wiped out with remorseless strokes the old-fashioned ways, and commandeered the efforts even of pretty cigarette makers in neutral Spain. These little events in economic evolution, or rather revolution, on the banks of the historic Guadalquivir—the mechanization of an ancient industry and the swift space-annihilating magic of air transport—depict in a small way the whole of the chaotic post-war upheaval that has occurred in industry and commerce.

The first objective of warfare is destruction and indeed the recent holocaust fulfilled that purpose with ghastly completion. But, at the same time, with every such bloody conflict in modern history, in spite of all the losses of priceless man-power and materials, there has been a clearing away of much that was old and obstructive in the sluggish currents of business. The superhuman efforts incident to all such conflicts have invariably produced new devices and operations, have set in motion hitherto unknown or dormant forces, which otherwise would have been unstirred for decades.

It was the great and compelling need of the French Revolution and the Napoleonic struggle which stimulated the Industrial Revolution in its rise from infancy to the full stature of maturity as the factory system. In the eight hectic years from 1788 to 1796 Britain's production of pig iron jumped from 68,000 to 125,000 tons; her cotton imports rose from 20,000 to 150,000. The maw of war was beginning to develop its insatiable appetite, the gratification of which demanded the complete transformation of industry throughout the Old World.

An Amazing Development

The almost unbelievable sorcery of industry during this truly incredible decade since 1918 has been so continuously amazing as to lead the more inexpert bystander to be ready for almost anything in the field of material achievement. The whole wide world of business has been linked together by new meshes of intimacy which have pierced the age-long barriers of estrangement and suspicion and have drawn together hitherto remote peoples and resources and markets in a matter entirely unmatched not simply in any previous decade, but in all the centuries of recorded economic history.

The triumphs of aeronautics and of the radio, of wireless telephony and electrified traffic, of automotive transport and synthetic chemistry, found their origins very largely in the truly dazzling succession of experiments and widespread frantic efforts under the grave pressure of wartime necessity. In fact, our chemists and engineers seem almost to be the lineal heirs of those feared imps of black magic in the middle ages, notably in the matter of

retrieving hitherto waste materials, which seems somewhat ironic when one considers the ghastly wastage of war in general. The grinding up of old piano boxes into hosiery, the extraction of fertilizer from the air, of gasoline from shale, and rubber from dozens of hitherto ignored or scorned shrubs—all these feats of technical legerdemain have inevitably compelled the mere normal mortal to believe almost anything about the potentiality of industry and letting it go at that.

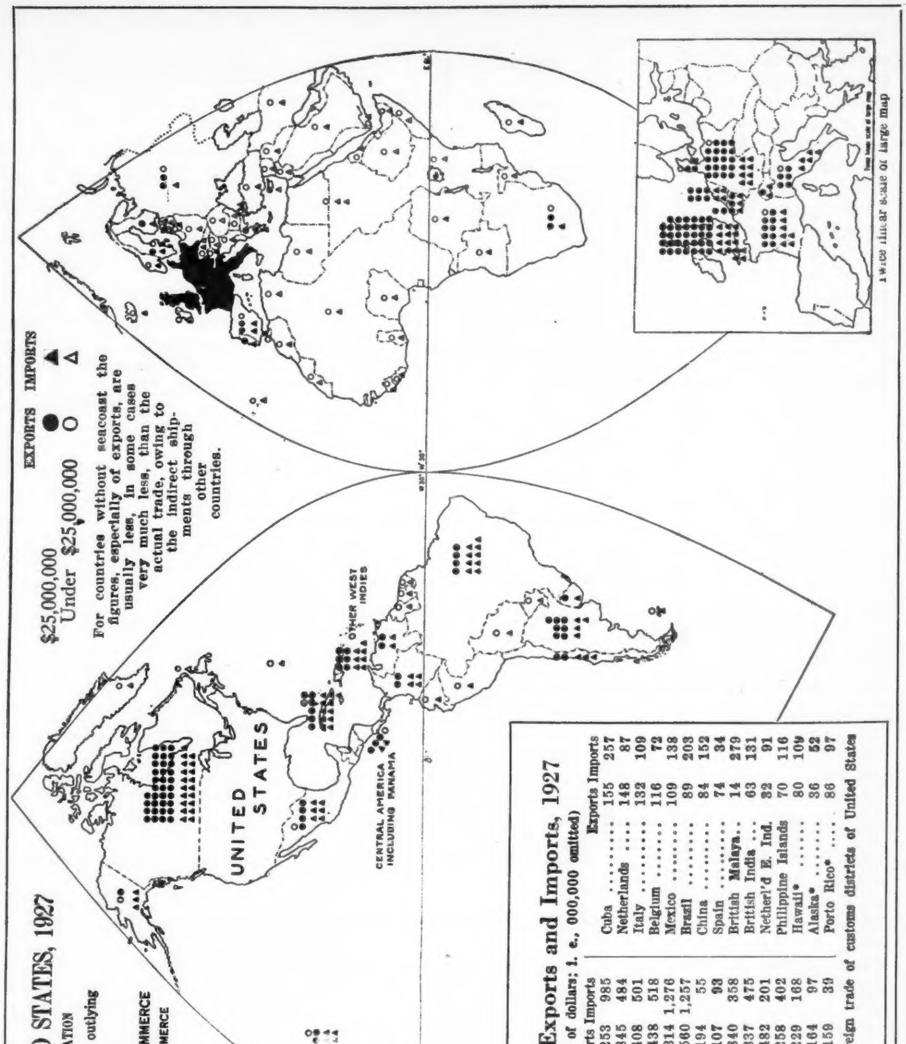
In fact, this creative phase of the post-war period has been so utterly unusual and unreal that the actuality of the advances made by industry as depicted in cold figures and the tremendous obstacles that have been overcome are by no means fully appreciated.

Latent Recuperative Power

The prodigious productive forces in industry let loose during the struggle exhausted some, but by no means all, of their momentum during the months immediately after the Armistice. Then the world of business staggered down into the dark pit of 1920-21, from which it emerged at first with painful, discouraged exhaustion, followed by strengthened determination. The story of that descent into the abyss of deflation, of shattered currencies, foreclosed farms, jobless millions, and gaunt, silent factories has been more than matched for dramatic quality and sound economic interests by the subsequent marshalling of the costly lessons of the war, the peaceful exploitation of military inventions and processes, of mass production methods and, above all, of general collaborative effort in trade and industry.

The roots of many of these astounding accomplishments of the latter half of this decade reach back to numerous war-time precedents. Once more have these eventful years demonstrated—but this time more picturesquely, more forcefully than ever before—that fact which has stood forth after every great disaster of modern times, namely, the human animal's truly extraordinary powers for recuperation. It is this mighty force that has made of these ten dramatic post-war years the Incredible Decade.

This story from the point of view of business falls, of



Value of Exports and Imports, 1927

(Millions of dollars; i. e., 000,000 omitted)

	Exports	Imports		Exports	Imports
North America	1,253	985	Cuba	155	257
Northern	845	484	Netherlands	148	87
Southern	408	501	Italy	132	109
South America	438	518	Belgium	116	72
Europe	2,314	1,276	Mexico	109	138
Asia	560	1,257	Brazil	89	203
Oceania	194	55	China	84	152
Africa	107	93	Spain	74	34
United Kingdom	840	358	British Malaya	14	279
Canada	837	475	British India	63	131
Germany	482	201	Netherl'd E. Ind.	32	91
Japan	258	402	Philippine Islands	70	116
France	229	168	Hawaii*	80	109
Argentina	164	97	Alaska*	36	52
Australia	159	39	Porto Rico*	86	97

*Not included in foreign trade of customs districts of United States

course, into two broad categories —the changes in the production of goods and those in the methods and facilities for their distribution. We come, then, to the first of these, namely, the changes that have been wrought in the status of manufacturing, mining and agriculture—the major branches of production.

Economic Progress of the United States

Financial, Educational, Agricultural and Manufacturing

	1919	1927	% increase
Population	105,003,000	118,628,000	13
Deposits in savings accounts	$13,040,000,000	$26,091,000,000	100
Deposits per capita	$124	$220	77
Building & Loan Assoc.—assets	$2,126,000,000	$7,200,000,000	239
Number of members	4,289,000	11,500,000	168
Life Insurance in force	$42,282,000,000a	$78,492,000,000a	86a
Individual deposits—all banks	$33,578,000,000	$51,612,000,000	54
Deposits per capita	$320	$435	36
Debits to individual accounts	$455,294,000,000	$673,903,000,000	48
Elementary School students per 1,000 population of 5-17 years	842a	907a	8a
High School students per 1,000 population of H. S. age	312a	473a	52a
College students per 1,000 population of 18-21 years	81a	127a	57a
Persons engaged in agriculture	11,300,000b	10,500,000b	—17b
Wholesale price farm products (1913=100)	231b	144b	..
Value of farm products, adjusted for price change	$7,652,000,000b	$9,017,000,000b	18b
Persons engaged in manufacture	10,669,000c	9,858,000c	—7.6c
Wholesale price level (1926=100)	138.6c	103.5c	..
Value added by manufacture, adjusted for price change	$17,851,000,000c	$25,872,000,000c	45c
Exports, total value, unadjusted	$7,920,000,000	$4,865,000,000	—39
Imports, total value, unadjusted	$3,904,000,000	$4,184,000,000	7
Ton miles of revenue freight—steam railroads	364,293,000,000	429,044,000,000	18
Motor vehicles registered	7,565,000	23,127,000	206

a—Comparison between 1920 and 1926. b—Comparison between 1919 and 1926. c—Comparison between 1919 and 1925.

I

After such an appalling world-wide holocaust, it would have been reasonable to expect, indeed it was sadly predicted after the Armistice, that a generation or even two would elapse before the pre-war levels of productivity had been regained. And yet what has actually been the case in almost every major branch of production? The 1913 level has been reached and in many respects far surpassed, notably in the new war-born industries or those vastly altered by war methods.

Taking the 1913 production of certain common industries as 100, their world output in volume in 1925 (later calculations are not available for the world as a whole, but those for that year are sufficiently indicative of the onward sweep of progress) has been estimated as follows: petroleum 277, pig iron 98, raw steel 118, mechanical engineering 108, electrical engineering 201, copper 140, lead 132, zinc 116, silk 156, rayon 660, pulp 157, and coal tar dyes 101.

On the same basis, the volume index of the output of a group of fifty-six of the leading raw materials and foodstuffs throughout the world in 1925 was 118, and if we exclude the crops, whose vagaries are due to weather rather than to human effort, the raw material figure (minerals and lumber) stands at 125, whereas the population figure was 105. In other words, there was a substantial increase in the per capita stocks of these essential raw stuffs upon which industry and living standards so largely depend.

Water Power Development

To take another example, the world's developed water-power has jumped from twenty-three million horsepower in 1920 to thirty-three million in 1926, an increase which is far out of line with the growth of the number of workers. It depicts, therefore, most vividly the further harnessing of the forces of nature to ease the burdens of mankind, to make industry more efficiently productive and at less cost in sweat and drudgery to humanity.

The geographic distribution of these gains reveals the advance of non-European countries, which obviously have had to make up for the deficiencies of the war-torn motherlands of the Old World. European output in 1925 had just about reached the 1913 volume, whereas her trade was still about 10% short of pre-war levels, though this deficiency has since been made up. The enormous expansion of manufacturing overseas in areas once dependent upon Europe accounts for much of this situation. The newly awakened nationalism of Asia and Australia, and the isolation of those lands and the Americas have inspired the widespread industrialization which has been so conspicuous a feature of their economic development since the war.

Certain aspects of this post-war industrial development are worthy of special attention. In the first place the resultant upward trend in living standards has stimulated a demand for better quality products. In the world-wide distress of the textile industry, for instance, there is evident an unmistakable tendency from cottons to silks for garments, and within the cotton group from the lower to the higher grades. The manufacturers of the latter are in distinctly better position than those of the former. The woolen industry both in Europe and America is using finer qualities of raw material, more merinos as against cross-breeds, according to a survey of the League of Nations in 1927. The demand for poorer qualities of dyes has fallen off to such a degree as to bring the gross output of coal tar colors nearly down to the 1913 volume, but in values the figures are far greater today because of the predominance of higher grades.

Development in Communications

A multitude of other post-war developments have identified this deep tide of forces for better living throughout the world. For example, the war time developments in the field of communications, notably the radio, released after the Armistice a host of new inventions applied to amusements as well as industries, and living today for the average family is thus made more comfortable. The pouring of five billions or more of American capital into European securities since the Armistice has taken the form, not of so many tons of gold or packages of securities, but rather of electric lights, gas stoves, household appliances, running water, modern plumbing and countless appurtenances that go to make for more orderly, happier households. Even the old idea that you cannot teach old stomachs new tricks has been completely repudiated as one incidental in this transformation. The presence of two million sturdy young Americans for many months on the Continent and the annual visitations of their successors, the more peaceful invading armies of tourists (some 400,000 last year) have left a train of de-

mands for "home food," backed up with dollars, for many minor table delicacies whose introduction has not in the least destroyed the picturesqueness of European diets (as some of our mournful cynics would have us believe), but has, on the contrary, been eagerly accepted as part of the new day by recovering Europe.

In 1922 we exported about 14,000 cases of grapefruit to England; last year the total exceeded 417,000. The sales of American fresh fruit and vegetables rose from an annual average of thirteen million dollars in 1921-23 to thirty-six million dollars in 1927, and of raisins from about nine hundred thousand dollars in 1922 to $8,500,000 in 1927.

Two Important Factors

Two factors have affected the world-wide shift to better qualities of staple products and new types of many products: first, the great advance in buying power and living standards in the United States which is exerting a potent influence upon business and living conditions in all lands. Secondly, numerous older European industries turning out certain time-honored, rather low-grade staples have suffered severely in the decline of their export trade to certain areas which had been particularly large consumers of these low priced wares. Among these lost or retarded outlets for cheaper goods are Russia and the Orient; the former has cut down her imports because of her general economic chaos, and the latter has done so because of new native industrialization, notably in China, Japan and India as well as of profound civil disorders in the first of these three. Of necessity, therefore, European producers of many lines of textiles and various iron and steel wares have been forced to divert their attention to better grades marketable in other and higher quality markets.

Three basic industries have undergone especially trying sieges of readjustment throughout the world during this eventful decade, namely, fuel, iron and steel and ship building. The hardships in these major fields have been felt in varying degrees by every participant in them, but particularly by England because of her predominant dependence upon them. Coal paid the freight on most of her exports. It was indeed the backbone of her whole overseas trading strategy. The world-wide shift, therefore, from that fuel to oil and hydro-electric power, involving as it did drastic curtailments in such once lucrative coal markets as Italy and Latin America, shattered not simply one of the major items in her sales abroad but also indirectly crippled her competitive powers in many other commodities the freight bills on which were largely borne by her coal shipments.

A most vivid indicator of this shift from coal to petroleum is the fact that whereas the world production of coal (including lignite) during 1913-27 rose only from 1,479 million short tons to 1,625 millions, the output of crude petroleum rose during the same period from 385 million barrels to 1,252 million. Incidentally, the share of the United States in the latter rose from 64% to 70%.

The development of Diesel marine engines so conspicuous in the new merchant fleets of Germany and Italy and the vast expansion of automotive traffic have transformed transportation around the globe with consequent dislocations of much merchant tonnage and drastic modifications of railway expansion, especially in "new" lands overseas.

Reaction on Iron and Steel

All of these developments reacted, of course, upon the production of iron and steel for rolling stock and merchant vessels in many older strongholds of that industry. But, as has been pointed out in the Memorandum on Production and Trade prepared by the League of Nations for the International Economic Conference in 1927, the effects of these depressions were more than counterbalanced by the amazing growth of other industries which were especially stimulated during the war, including electrical engineering, motor and rubber indus-

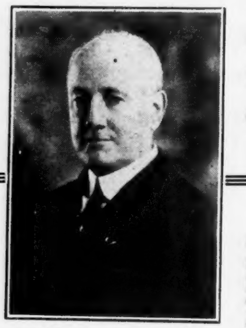
(*Please turn to page* 86)

The Future Of Radio

The Next Big Organization Problem of Radio—Television Possibilities—Great Commercial Strides

By GENERAL J. G. HARBORD
President, Radio Corporation of America
In an Interview with Walter S. Hiatt

THE Radio industry has many years of profitable trade ahead. It is estimated that only between 8 million and 10 million homes, out of 26 million, are provided with radio sets. Even when most homes are equipped, there will be frequent replacements, for radio transmission and reception are being constantly improved and, as with automobiles, new models result in repurchase by the average family every so often. The sale of vacuum tubes for radio sets assumes enormous proportions. It is estimated that about 50 million vacuum tubes will be made this year to meet the requirements of old and new apparatus.



GENERAL HARBORD

IN 1921, the total sales of the American radio industry were under two million dollars for the year. Radio equipment was sold to the Army and the Navy, to ships and companies engaged in radio telegraphic communication, and to a handful of radio amateurs interested in the experimental side of the art. A fair share of the radio equipment produced was made by individuals and small organizations—attic or cellar manufacturers, as they were described.

Seven years later, today, radio is a giant industry grossing over half a billion dollars' worth of annual business, with over 2,000 bona fide manufacturers, 320,000 workers, and a gigantic communication system that encompasses broadcasting, marine radio and transoceanic radio. Surely a dizzy record!

How did this miracle of modern business come about? What of the future?

It was for the purpose of securing answers to these and other questions that the writer sought an interview with the head of the largest radio organization in the world—General J. G. Harbord, president of the Radio Corporation of America.

Early Development "Radio," General Harbord began, "was handicapped during the first two decades of its existence, or from the time that young Italian savant, Guglielmo Marconi, demonstrated the amazing possibilities of flashing messages through space in 1898, until 1919 when a war-torn world emerged into a new era of international relations and commerce. The wonder of radio, I firmly believe, proved its greatest drawback. The public at large insisted on looking upon radio as a remarkable experiment.

"Yet from the beginning, radio was blessed with a following of sincere workers intent on developing it along legitimate lines. The art made steady progress. Its first application was naturally in the marine communication field, for there it had a virgin and logical field without competition of any kind. The collision between the "Florida" and the "Republic" in 1909, with the dramatic C Q D, or emergency call which served to save some 1,500 souls from a watery grave, was instrumental in placing marine radio on an accepted and sound commercial basis.

"Just prior to the World War, the possibilities of long-distance or transoceanic radio were being carefully fostered by several European governments. British, French, German and Italian plans for extensive radio networks, ostensibly for purpose of commercial and social contact between homeland and far-flung colonies and friendly nations, as well as for military purposes, were in the air.

"Great Britain was seeking to reinforce its splendid world-wide cable system with a comprehensive 'All-Red Chain' of powerful transoceanic radio stations. The other nations, chafing at British control of world-wide cable communications, were seeking communication avenues of their own with colonies and the outside world. Yet these plans were little more than paper plans, for the necessary technical means of spanning great distances on a daily and hourly basis was still to be found.

"Then came the World War to interrupt the plans of all nations. The domination of world-wide communications by the British was soon felt by neutrals and belligerents alike. Isolation faced the enemies of Great Britain. Delays and censorships and partial isolation faced neutrals. It was then that many nations decided upon the freedom of the air quite as well as the freedom of the seas, and the United States was no exception.

"It was at about this time that America took the lead in industrial research, partly because of the pre-war work of Dr. Ernest F. W. Alexanderson. Radio problems were included in organized research. Radio engineers had long realized the necessity of a suitable high-frequency alternator or generator capable of producing the kind of energy

which sets up radio waves in space, in a constant, uniform and reliable manner. Dr. Alexanderson was the man destined to solve this problem. Working in the General Electric Research Laboratories, with unstinted expenditures of time, effort and money, he finally evolved the high-frequency alternator which bears his name.

"During the World War, the Alexanderson alternator came into considerable use. It made possible the establishment of certain radio channels of communication between the United States and Europe at a time when existing cables were heavily taxed. One of these alternators was the very means employed by President Wilson in flashing his Fourteen Points to Germany as a preliminary to the Armistice.

"Until the war, the Marconi Company, a British institution, had operated an American company and tried to buy the patents of the Federal Telegraph Company of California, while owning the patents of other subsidiary companies here. Its chief rivals were German companies. There was a commercial race here, backed by the respective governments, for world-wide radio supremacy.

A Dramatic Moment

"When the World War ended, the General Electric Company was ready to sell to the British Marconi Company five million dollars' worth of Alexanderson alternators and other improved radio equipment, and the sale was to be made only if exclusive rights to the use of such equipment were granted. Here, at last, was the technical means of transoceanic radio about to be placed in the hands of a world-wide communication company. What could be more logical?

"It was a dramatic moment. President Wilson, in Paris at the time, was apprised of the situation. The result was that on April 5, 1919, Rear Admiral W. H. G. Bullard, then Director of Naval Communications, met Owen D. Young of the General Electric Company, in the New York office of that organization. Admiral Bullard told Mr. Young of the effect which such a sale would have on the future of American communications and on American influence with the world at large. He urged that an American communications company be organized sufficiently powerful to compete with British communications companies. The General Electric Company did not carry forward their negotiations with the British. Later Mr. Young, with the sympathetic cooperation of Government officials, formed the Radio Corporation of America.

"A stalemate, growing out of ownership by different companies of patents each necessary for effective radio communication, resulted in the pooling of the radio interests of the General Electric Company, the American Telephone & Telegraph Company, the Western Electric Company, the United Fruit Company and the Westinghouse Electric & Manufacturing Company, to the end that a powerful American communication system might be developed to provide world-wide service. And not only was this organization in time to provide independent world-wide service for the American people, but it also served to provide direct communication between ourselves ana many other nations which had long sought such service."

General Harbord, who speaks so forcefully of the progress of transoceanic and marine radio, is the man whose power of organization, broad patience and sense of economy helped bring radio out of its threatened chaos in the United States. This fact is not currently appreciated. When he was in the Army, as part of his duties, he was Pershing's right-hand man assigned to the Service of Supply, familiarly known as the S. O. S.—perhaps one of the greatest administrative tasks in all history.

Six year ago, when General Harbord was appointed president of the newly-formed Radio Corporation of America, a friend said to him: "They want you for your name." To which this stalwart, tight-lipped man replied: "Maybe there are also other reasons." And perhaps there were, especially when a man has fought his way up from private in the Army to the highest-ranks, step by step, on sheer merit.

Certainly radio has been placed on the commercial map to a startling degree since General Harbord took hold. Order has come out of chaos.

Development of Broadcasting

"Broadcasting," continued General Harbord, resuming the thread of his orderly analysis of the radio industry, "was the contribution of the Westinghouse company. While the General Electric Company was engaged in solving practicable transoceanic radio, the Westinghouse engineers were developing radio telephony and its spectacular application to mass communication.

"It was on November 2nd, 1920, that regular broadcasting was inaugurated by Station KDKA at East Pittsburgh, with the broadcasting of the Presidential election returns. The idea of broadcasting soon took hold. It spread like fire on a dry prairie. Broadcasting stations were established throughout the land. Radio sets had to be manufactured in enormous quantities to supply the demand for them. Vacuum tubes, hitherto considered laboratory products, now had to be made by the millions and at a price within reach of all.

"Broadcasting, of course, was a boon to radio. I am certain that if it had not been for broadcasting, we should not be where we are now with regard to marine and transoceanic radio service. Broadcasting gave us a wonderful market and an opportunity to make the profits necessary for the conduct and expansion of any business.

"Out of broadcasting we had laid the foundation for our radio industry. We have created a magnificent institution which brings a world of entertainment, enlightenment and even practical education into every home equipped with a radio set. The great economic problem of supporting the institution of broadcasting has been solved by the formation of the National Broadcasting Company and the development of the sponsored program distributed over extensive networks to scattered associated stations.

(*Please turn to page* 74)

In an early issue will appear our comprehensive Analysis of the Position and Outlook for the Radio Corporation of America and other important issues in this field

Farm Mortgages *vs.*

The Country Banker's Dilemma

The undesirability of stocks for investment, from the country banker's point of view, was closely associated with their erratic price gyrations in previous years when the post-war stock exchange boom collapsed precipitately, just as the steady advance in stock values in subsequent years has brought a change of heart concerning the investment desirability of good common stock issues. In the bond field, the standard grade of railroad first mortgage issues were universally stamped as "safe investments" but they paid a rate of income that provided a slim margin of bank profit over and above the high interest rates paid to depositors by many of the country banks in those days.

This left two classes of investments open for consideration for investment of bank resources, high yielding foreign government issues and the conglomerate group of secondary domestic bonds of railroad, industrial and public utility corporations. Here, however, the properties which secured the obligation were located in distant points; unavailable for the personal scrutiny of the buyer of the bonds; and the country banker, of all lenders, has a most definite aversion to depending upon secondhand information in the placing of his loans. The local business man he knew intimately and personally; the farm property put up for mortgage he could visit in person and make his own appraisal. The purchase of security investments was out of the sphere of the country banker, geographically and temperamentally. As long as possible, he maintained his aloofness from investment securities.

* * *

THE Federal Reserve Board makes three classifications of the nine thousand banking institutions which hold memberships in the Reserve system. First is the "central" city banks in the Reserve system—a quite exclusive group consisting of only about 75 banks, which have total resources of twelve and a half billion dollars. Next comes the "other" city banks in the reserve system, numbering about 530 institutions with both state and national charters that hold aggregate banking resources of over fifteen billion dollars. All the rest of the member banks are grouped as the "country banks" of the system—an overwhelming majority as far as numbers are concerned, representing something less than 8,500 banks at present with aggregate resources of close to sixteen billion dollars.

So when references are made to the activities of the "country banks," it is well not to minimize the importance of this unit in our national banking system. As far as the Federal Reserve system alone is concerned, the country banker holds 93% of the memberships and controls something more than a third of the total resources of the system. He serves millions of depositors and borrowers in our rural communities and in the thousands of smaller cities and towns that make up our nation. On his prosperity and success depends the credit supply and investment accommodations open to a large percentage of the population of the nation—farmers, small manufacturers and business men and individuals. The country banks in the Reserve system hold some thirteen billions of dollars in deposits; and for the entire banking system have deposit funds of between 20 and 25 billion dollars. What the country banker does with this tremendous amount of money, is an important factor in our national welfare.

* * *

NO longer ago than in 1921 or 1922, the country banker held the reputation of being "security shy" as far as the investment of his bank's resources was concerned. Most of his funds were taken up by local demands; farmers who needed loans to carry them through the harvest period, mortgages against real estate in the town served by the bank and against the farms in the rural districts immediately surrounding; commercial loans by the local manufacturers and merchants; and, personal loans to individuals in the community with satisfactory credit standing or good collateral. There was no necessity for finding more or less permanent investments outside of the immediate community. The comparatively few investment securities which were carried among the country bank's own assets had experienced sinking market values just a few years before and presented a perplexing problem when credit scarcity made it necessary to liquidate some of the bank's secondary reserves.

Stocks were taboo, not only for the bank's investments but the bank's customers who came to the country banker for investment counsel were strongly advised against them.

* * *

DURING the past five or six years, the great wall of prejudice which isolated the country banker from the visiting bond salesman has fallen down. At the start of this period, the country banker was faced with a good deal of competition in placing mortgages—this was one reason for the tendency to turn toward the investment security markets. The Federal Farm Loan system was responsible for placing over 500,000 individual farm mortgage loans, aggregating over two billion dollars. These loans were placed by Joint Stock Land banks and National Farm Loan Associations in competition with the local banker.

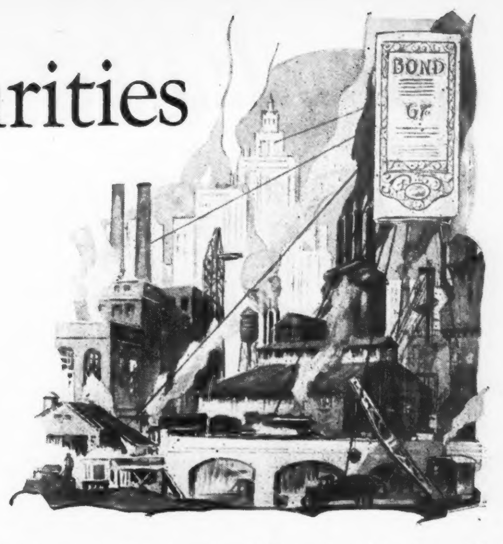
Insurance companies were also larger takers of mortgages against both farm and city real estate. Of some 16 billion dollars in invested assets of the life insurance companies alone, about 43% are placed on mortgages, whereas only about a third of their assets were invested in mortgages in 1922. Real estate mortgage companies also have come to provide a great deal of mortgage money, previously advanced by the banks, although the activities of these concerns compete with the loans of the city banks quite as much, if not more, than they do the country banks. And the growth of building and loan associations, serving the small individual borrower almost exclusively, also cut into the loan business of the country banker, both as to the demand for loans and the rate at which mortgage loans could be placed.

Another factor which influenced the country banker to become a heavy buyer of investment securities, was the undesirability of keeping too much bank credit tied up in mortgages. This factor became more aggravated through the deflation in the values of farm real estate in 1926. The burden of foreclosing on farm mortgages in default, and the necessity for acquiring and carrying unwanted real

Investment Securities

By

STEPHEN VALIANT



estate fell pretty equally on all the lenders in this field. That the country banker did not escape from the inevitable losses during this period of deflation and readjustments in the farm mortgage lending field is told eloquently in the record of over 950 bank suspensions in 1926, involving aggregate deposit liabilities of close to 275 million dollars, and 660 failures in 1927 involving close to 200 million in deposits. With few exceptions these suspensions occurred among the country banks and demonstrated in a good many instances that investment issues, secured by industrial property far from the banking house might be a safer medium for the placement of bank resources than farm mortgages located in the immediate neighborhood.

* * *

BY the end of 1923, the investment holdings of all banks amounted to approximately 13.6 billion dollars as compared with loans of approximately 30.6 billions. In the meantime the investment holdings have grown to around 18 million dollars, an increase of about 37%, compared with loans which are now in the neighborhood of only 37 billion dollars. Seeking some clue as to what types of banks have been the heaviest buyers of these investment securities, we turn to the Federal Reserve Board reports with their grouping of the city and country banks.

In these reports we find that the security holdings of all member banks in the Federal Reserve system increased from 8,988 million dollars as of December 31, 1926, to 10,757 millions at June 30, 1928; an increase of 1,769 millions. Between these two dates, the country banks (as so classified by the Federal Reserve Board) increased their holdings of investment securities from 3,214 to 4,764 million dollars; an increase of 1,550 millions. In other words, out of the total increase of all member banks' investments during these eighteen months, about 87% is represented in the increased investment portfolios of these so-called "country banks"—a group of bankers who not so many years ago were known to look with a rather suspicious eye on offerings of investment securities for the accommodation of their resources.

If the same ratio between the city banks and the country banks that prevails in the Federal Reserve system, also holds true among all the banks of the country, it follows that the "country banks" are holding between eight and nine billion dollars in security investments at the present time. These funds exceed by a considerable margin the aggregate capital, surplus and undivided profits of the same institutions, representing several billions of dollars of depositors' funds which these banks have placed in security investments. What does the investment portfolio of the country banker look like? Has he chosen his investments wisely? What precautions should the country banker exercise in making investments in securities? These are questions that command serious thought in the banking fraternity at present.

* * *

J. W. McINTOSH, Comptroller of the Currency, has recently had the occasion to say a few words of wisdon on this matter of the investment policies of country bankers. Many of the "pointers" which he gives to the country banker might also be recognized with advantage by the private investor who requires liquidity and safety from his security investments.

The age-old story of the lack of facilities which the country banker has at his disposal for the handling of investment securities, is again retold by the Comptroller, who marks this factor as one of the principal reasons for unsatisfactory results. Discussing this point at the recent bankers' convention, Mr. McIntosh said:

"The result (of inadequate investment facilities) is that the bank approaches the task of buying and selling investment securities with little or no experience in this field and with judgment in such matters which is naturally unseasoned and immature. What happens? While the directors are giving consideration to a loan of $500, the cashier of the bank swallows whole the talk of a high pressure salesman of a low class security house and buys $50,000 of high yield, unliquid, low-grade securities. I do not mean to convey the impression that this is typical of a majority of the country banks but it well illustrates several cases which have come to my attention. It is to the correction of such a situation that I wish to particularly address myself."

Five rules which the country banker should follow in his investment policy were laid down by the Comptroller which are summarized by us here as follows:

First. Deal only with the first-class security underwriting houses or their representatives. The better bond issues must be distributed at a small margin of profit and the country banker can frequently get better results by placing orders through the mails with the good investment firms, rather than by giving their business to any securities salesman who happens to call on the bank personally.

Second. Do not buy for high yield alone. A sound bond with well established safety of principal is more satisfactory than an unsound bond with a high yield. Many country banks have "been brought to liquidation" because of their investments in high yielding securities.

Third. Buy investments that have ready marketability. Poor investments, even though they do not necessarily cause a loss through default, are unsatisfactory bank investments because of their lack of liquidity at all times.

Fourth. Seek to obtain the necessary degree of safety, liquidity and high yield through diversification. Diversification should be wide enough to include all types of bonds, both corporate and government, and the advantage of geographical diversification as well as a wide range of maturities should not be disregarded.

Fifth. The investments selected must be adapted to the particular needs and requirements of each individual institution. While in the final analysis this rests with the bank itself, the investing officers should be guided by the availability of funds for a purely secondary reserve account, as determined largely by the ratio between time and demand deposits; the demand for investments for resale to customers; the normal fluctuation in total deposits and loan demands and the cyclic changes in the business of the community served.

The Effect of Imaginative Buying on Stock Market

New Industries and Developments an Important Market Clue

By ROBERT E. STANLAWS

TRADITIONALLY, stock prices move according to the dictates of money market and business conditions. The effect of either or both these basic factors, however, may be very much modified by speculative exigencies of the moment. The bull markets of 1927 and 1928 are outstanding cases in point. Throughout the first named year, and even into May of the current twelve months, stocks moved in more or less open defiance of industrial trends. Conditions in business were not bad, but neither were they exceptionally good. Money, however, was easy and speculation was encouraged by the plentiful supply of credit. Recently, the effect of these two governing factors has been reversed. Money is relatively stringent and strong attempts are being made to limit the supply available for stock market purposes. Business, at the same time, has improved decidedly.

Recent flight of the Zeppelin was the signal for advance in a certain rubber stock

Theoretically, it would seem that the direct opposition between two such important influences would be to keep stock prices at a dead level. Since this has not been the case, it might then appear that the old standards of measuring values have lost their effectiveness or else new factors are now at work. The truth undoubtedly lies somewhere between these two extremes.

The Imaginative Viewpoint

In the last analysis, the movement of prices must, of necessity, be related to real or *fancied* earning power. In a period like the present, where speculation plays so large a part in the market, more stress is laid upon possibilities than actualities. Speculative sentiment is apt to be impatient with cold facts. It prefers to draw upon imagination. Hence, stock prices are very largely a matter of mass opinion which is more readily influenced by fads than by calm reasoning. An imaginative viewpoint is essential to the speculator. But the public imagination is very easily inflamed and oftentimes illogically directed. Distortion of the public's viewpoint, therefore, may be held to account very frequently for the excesses and paradoxes committed in bull markets.

The steady multiplication of new enterprises and consequent expansion of listings on the Stock Exchange in late years have done much to rouse this imaginative viewpoint. Formerly, when the stock market was confined to a restricted list of standard industrial and railroad shares, speculation concerned itself almost exclusively with conjecture as to actual earnings tendencies, crop prospects, business conditions, money rates and like prosaic factors.

But in this new era of rapid industrial progress, science, invention and research have been injected into speculative calculations. One by one, the motor truck, the Diesel engine, artificial silk, soft drinks, radio, electrical refrigeration and the airplane have stirred up popular enthusiasm.

Each of the industries represented by these names will be recognized as having had a prominent part, at one time or another, in the speculative bull movements of the period from 1921 to date. Their development, however, rests upon a foundation of economic progress dating back to the industrial revolution, which started in England about the latter half of the eighteenth century.

James Watt's inventions in connection with the steam engine and the application of machine methods to the textile industry paved the way for a complete evolution of manufacturing processes. The transition from home and neighborhood manufacturing began in the United States during the first quarter of the nineteenth century, but its progress was more rapid than in Britain and Europe. The social setting of the New World and the instinct of initiative and organization inherent in a pioneer people soon made themselves manifest in the industrial life of the country. Indeed, they are still apparent in the advanced methods of American industry, especially as expressed in our present day habit of mass production.

Cumulative Effect of Research

Striking as it is, the industrial progress of the last century, since man learned the mastery of tools and machines, was still very slow when contrasted with the strides made within the memory of the living. Men first had to enlarge their knowledge of science before they learned how to apply inventions and discoveries to the immediate betterment of their condition. The cumulative effect of the researches and inventions that have gone before; the accumulated knowledge and experience of the past hundred years is now being utilized in the accelerated development of new industries. That is to say, the time lag between actual invention and commercial application of inventions and discoveries is far less appreciable than formerly.

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Thus, between Volta's discovery of electrical currents in 1779 and Faraday's construction of the first dynamo in 1831, there was a lapse of 52 years. The industrial application of the dynamo was made by Edison in 1882 when the first central station was established in New York City, a gap of 51 more years. But within the following forty years, a gigantic industry had arisen, opening up a fertile investment field to the general public. Today, the public utility business represents an investment of capital running into several billions of dollars.

Similarly, the first practical locomotive was perfected nearly a century ago and the first railroad stock "Mohawk & Hudson" made its appearance upon the New York Stock Exchange in 1830. The rails, for decades thereafter, comprised the most active group of listed securities, a position they have yielded in recent times with the more rapid inception of other commercial enterprises.

Younger Industries

Oddly enough, it is the younger industries that have taken most avidly to research as a means of furthering growth. Tradition and prejudice have tended to retard the recognition of this important factor in such basic, more or less standard, lines as textiles, leather and iron and steel. This fact, indeed, is fully reflected in the stock market, for the most spectacular gyrations of security prices have occurred very largely outside the stock groups representing these older industries.

The unparalleled achievement of Charles A. Lindbergh aroused feverish public interest in aviation. It profoundly affected the stock market, producing a bull movement in Curtiss and Wright as noteworthy, in its own way, as the feat of the famous aviator. Even before the outcome of the flight was known, and regardless of whether it would end in unrivalled accomplishment or none too uncommon failure, the public had begun to express its optimism in the future of the airplane industry by bidding furiously for the only two listed stocks in which their enthusiasm could be fully expressed. All prosaic rules for the measurement of values were upset in the wild scramble to reap a speculative advantage.

Such was the speculative contagion that visionary buyers madly bid up the price of a security representing an aviation company with a still non-existent earning power. Solely on its prospects, this stock soared to levels which even the organizers of the company, optimists though they must naturally be, considered unjustified and excessive.

Of course, the inevitable happened. When the more laggard speculators sought to cash in their paper profits, the market faded swiftly away. Many unwary traders were caught high on the crest of the buying wave. True, no complete collapse occurred, for new buyers with vision stood ready to assume the speculative risks of a new industry by acquiring these stocks on the ensuing decline. Accordingly, a goodly share of the losses in market valuations attending a correction of undue inflation, have since been recovered.

The flurry in the airplane issues was of comparatively

(Please turn to page 54)

Leading Companies Affected With New Industry Complex

—And How the Stocks are Rated—

Company	Principal Business	Collateral Interests
*Continental Motors	Automobile & Truck Motors	Aircraft
Curtiss Aero. & Motor	Airplane Manufacture	Aircraft
*Packard Motor Car	Passenger Automobiles	Aircraft
Wright Aeronautical	Airplane Manufacture	Aircraft
*Goodyear Tire & Rubber	Tire & Rubber Mfr.	Aircraft
American Locomotive	Locomotive Building	Diesel Engines
Baldwin Locomotive	Locomotive Building	Diesel Engines
*Ingersoll-Rand	Machine and Tool Mfg.	Diesel Engines
*Worthington Pump & Mchy.	Electrical Equipment	Diesel Engines
*Westinghouse El. & Mfg.	Electrical Equipment	Diesel Engines
Kelvinator	Electrical Refrigeration	Electrical Refrigeration
General Motors	Automobile & Truck Mfg.	Electrical Refrigeration
Savage Arms	Household Appliances	Electrical Refrigeration
*Amer. Tel. & Tel.	Telephone	Radio
Brunswick-Balke-Coll.	Phonographs, Bowling Alleys, etc.	Radio
*General Electric	Electrical Equipment	Radio
Kolster Radio	Radio Sets	Radio
Radio Corporation	Wireless Communication	Radio
*Victor Talking Machine	Phonograph Mfg.	Radio
*Westinghouse El. & Mfg.	Electrical Equipment	Radio
American Rayon	Rayon Manufacture	Rayon
Industrial Rayon	Rayon Manufacture	Rayon
*Tubize	Rayon Manufacture	Rayon
*Am. Tel. & Tel.—Western Electric	Telephone	Talking Movies
*Famous Paramount Lasky	Motion Pictures	Talking Movies
Fox Film	Motion Pictures	Talking Movies
Keith-Albee Orpheum	Vaudeville	Talking Movies
Radio Corporation	Wireless Communication	Talking Movies
Stanley Co.	Motion Picture Theatres	Talking Movies
Warner Bros.	Motion Pictures	Talking Movies

*Stocks marked with an asterisk are considered most attractive at this time from a speculative or an investment viewpoint.

Uncovering Opportunities In Insurance Stocks

Meager Participation in General Bull Market and Former Lethargy in Reflecting Improving Position of Leading Companies Suggest Broad Opportunities

By
ARTHUR M. LEINBACH

WITH a continued growth of insurance coverage of all types and a favorable investment experience by the leading companies during the past few years, insurance stocks have a strong foundation for a continued favorable market.

Although the insurance stocks have participated to a moderate degree in the popular interest in investment securities that is current today, they are still a group of stocks which the general public takes to hesitatingly. For this reason, the market quotations for these issues have been slow to reflect the improvement which has taken place in recent years in the position of the most representative companies. Some outside buying, that is to say, small investor buying has come into the market during the past year or so because the insurance stocks were "moving upward." This is attributed to the general premise that rising prices are an antidote for investment timidity, however, rather than to any popular recognition and understanding of the position of these securities.

"Mystery" Stocks

For with the exception of the specialist and a comparatively limited number of wealthy individuals who are hereditary buyers of insurance stocks, these issues are "mystery stocks" to investors. In an intuitive way, the rise in insurance stock values is associated with the rise in bank stocks. The new interest in investment trusts has focused attention on the advantages that might be attained in the investment markets by grouped capital and experienced counsel. New records are published for the growth in life, fire and casualty insurance with a remarkable degree of consistency. From this, the inexperienced investor makes a shrewd guess that the insurance companies "must be making money" and sees this opinion confirmed by advancing prices for the shares of the leading concerns. When it comes to appraising the insurance stocks by statistical analysis, however, the average investor finds himself baffled by the auditing and actuarial methods that make insurance company bookkeeping so complicated.

For this reason, when studying the position of the insurance stocks, it is better to disregard the bookkeeping methods of the companies and attempt to comprehend the principles on which insurance protection is written.

Three Groups of Insurance

Insurance is conveniently divided into three groups: life, fire and casualty. Most of the larger life insurance companies are mutualized, that is to say they are operated for the cooperative advantage of the policy-holders who receive all of the surplus earnings in the form of rebates popularly called dividends. For this reason, there is only a comparative handful of life companies in which there is any lively investment interest. The stock companies in this group are surrounded with severe limitations as compared with the fire companies, and the investment possibilities in their shares are correspondingly restricted. They must meet the competition of the mutual companies, whose policy-holders share in the profits" each year, yet they are subjected to the same supervision and legal restrictions as the mutual companies.

In their investments, they do not have the latitude that is permitted to fire and casualty companies. The exhibit of invested assets and income from investments of both the fire and the life companies, which appears on these pages emphasizes this point most vividly. With their resources invested almost entirely in non-appreciating mortgages and comparatively stable bond investments, the life companies averaged a total return in income and appreciation over the past four years of a little more than 7½% as compared with more than 10% on the same average for the fire companies. Theoretically, the greater latitude permitted the fire companies expands their opportunities for investment loss as well as profit. Actually, this does not seem to hold true. The fire companies have established notable records of capability and sagacity in handling their investment funds; a most important factor in our review of the fire insurance stocks, which will be discussed in greater detail at a later point in this article.

Before dismissing the investment problem of the life companies, however, a single reference is pertinent at this point to the experience of these companies with their mortgage investments. Particularly in the West, where the large life companies are heavily committed in farm mortgages, a number of these concerns are now the unwilling owners of farm real estate, acquired directly or indirectly through foreclosures made necessary by the deflation on this type of loan which was experienced during the past few years. While the life companies still invest heavily in mortgages, they now place a smaller proportion in farm mortgages—about 30% as compared with 50% in 1922.

Investment Income

The gain or loss from life insurance contracts is interconnected with investment income. Statistically, the underwriting profits (or losses) can be calculated on the difference between premiums received and claims paid out during any identical period of time and deducting from the balance the total expenses and operating costs for the same interval of time. When figured on this basis, underwriting is as likely as not to show poor results on paper. In fact there is a good deal of mythology on this point which keeps insurance stocks in disfavor among unexperienced investors; this view being further encouraged by the sponsors of shares of investment companies. The favorable results obtained from skillful management of investment funds can also be attained by an investment trust or a securities company without the tremendous contingent liability, underwriting losses or large expenses, is the way this argument is stated.

But it is this "objectionable" liability, expense and payment of claims that gives the insurance companies the tremendous resources for investment. A good part of these resources represent unearned premiums or "excess premiums" of policy-holders which are held in trust, in a

sense, against the contingent liabilities which they are intended to cover. The life insurance companies base their rates on antiquated mortality tables and the assumption that invested reserves will earn 3 or 3½%. Obviously the income from these investments cannot be divorced from underwriting gains or losses in calculating the real income of an insurance company.

By way of generalization it can be said that the well entrenched life insurance companies are obtaining a consistently improving mortality experience year after year, due to more careful physical examinations, generally improved social and hygienic conditions and the health examinations and medical attention that is being provided by many companies for their policy-holders. Income from investments has also been holding to an eminently satisfactory level in recent years, providing a differential of 1% to 2% over the assumed rate on which premiums are based.

It is to be said, conversely, that due to the fact that the life companies concentrate their invested assets almost entirely in bonds or other fixed income investments, the tendency is toward a slow reduction in income from their investments as interest rates generally become lower. There is also something to be said in favor of the life companies from the standpoint of the not-entirely-antiquated notion that bonds and mortgages are "safer" investments than common stocks. Undoubtedly the fire companies, with their extensive holdings of common stocks, would feel the effect of a severe industrial depression more markedly than the life companies. For the shareholder in insurance companies, this inherent stability of the life company's investment list is a factor to be seriously considered.

Interest in Shares

From the standpoint of investor interest, the fire insurance stocks command the greatest amount of attention. Although the shares of some of these companies are closely held, so much so that they are virtually private concerns, the shares of the majority of the large fire companies have an active market and enjoy a good deal of public investment participation these days, by both large and small individual investors. A representative list of 100 of the leading active insurance stocks would include possibly a half a dozen life companies, a large majority of fire concerns and the balance representing casualty and indemnity companies. Among the fire and casualty companies there exist a number of close affiliations, based on single control or management, or on underwriting agreements. These groups are known as "fleets"—such affiliations becoming an increasingly important factor in insurance company earnings.

In addition to the economy in management expenses through such affiliation and the low cost of obtaining both new business and reinsurance contracts through these reciprocity agreements, the factor of able management is so important in insurance company operation, that the shares of affiliated companies frequently move as a group in the market. That is to say, the shares of a new company joining a "fleet" whose management has established a good record for profitable operations in the past will invariably sell on a higher basis than when the company was operating "independently." Likewise, when the key stocks in any prominent group start to move upward in the market, the rest of the shares are quite likely to join in the advance.

Two Important Factors

Considering for the moment the position of the fire companies, there are two very important factors which place the shares of the representative companies in a strong fundamental position. These factors are, first, the marked improvement shown in the past year or so in their underwriting profits, and second, the tremendous appreciation in value of their investment holdings due to the extended advance of common stock values over a period of the past seven years. Studies of group statistics show that during this period, the fire companies have constantly increased their investment in junior securities at the expense of their bond accounts; the proportion formerly being something in the neighborhood of two-thirds of their investments in bonds, whereas at present their investments are fairly close to half with perhaps a slight margin on the average in favor of bonds.

In their annual reports, these companies publish itemized lists of their security holdings, giving in most instances the net average cost of each issue. The comparison between the values at which they are thus inventoried and the prevailing open market quotation has been a revelation in the profit possibilities of good common stocks to many an investor. And, of course, these lists also raise the question whether a serious financial loss might be experienced in the event of a material setback in the price structure of common stocks. *(Please turn to next page)*

Distribution of Insurance Companies' Investment Accounts

Type of Company	Classification of Groups	No. of Companies	Year	Total Admitted Assets	Total Investments	% Invested in Mortgages	% Invested in Bonds	% Invested in Stocks
LIFE........	All Companies Used........	34	1924	$9,100,856,000	$7,276,138,000	47.6	51.6	.8
		34	1925	10,052,479,000	8,115,442,000	49.0	50.2	.8
		34	1926	11,146,889,000	9,082,543,000	51.1	48.1	.8
		34	1927	12,379,493,000	10,193,391,000	50.8	48.4	.8
FIRE.......	U. S. A. Companies / All Companies Used	65	1924	1,003,257,000	915,508,000	4.1	62.8	33.1
		65	1925	1,234,973,000	1,007,641,000	3.5	58.3	38.2
		62	1926	1,288,514,000	1,071,461,000	3.6	57.2	39.2
		63	1927	1,461,788,000	1,231,700,000	3.1	53.5	43.4

Indicated Return from Insurance Companies' Bond and Stock Accounts

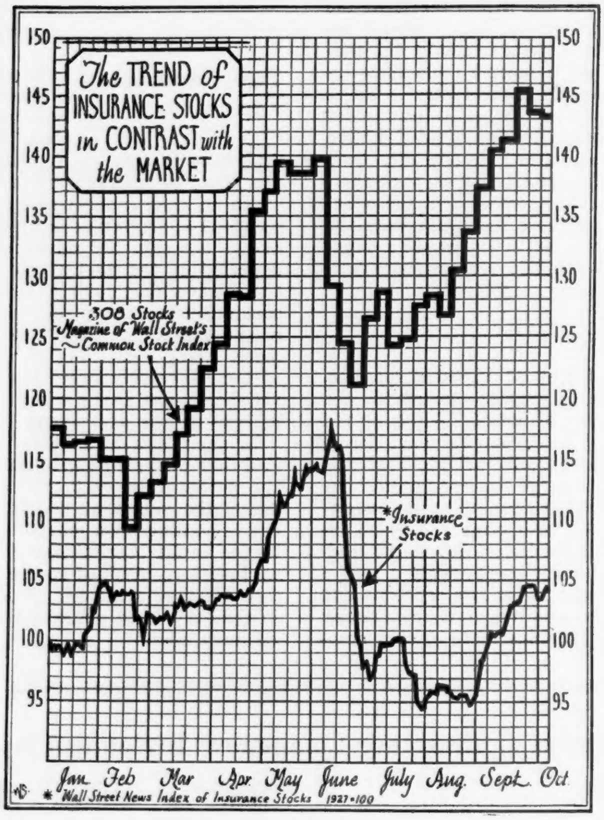
Type of Company	Classification of Groups	No. of Companies	Year	Cash Income from Bonds and Stocks	Current Return	Approximate Appreciation of Bonds and Stocks	Total Return on Bonds and Stocks
LIFE........	All Companies Used........	34	1924	$174,252,000	5.01	4.09	9.10
		34	1925	189,476,000	4.98	1.39	6.37
		34	1926	199,837,000	4.83	2.04	6.87
		34	1927	211,131,000	4.75	3.28	8.03
FIRE.......	U. S. A. Companies / All Companies Used	65	1924	40,120,000	5.14	5.80	10.94
		65	1925	43,968,000	4.96	5.09	10.05
		62	1926	45,573,000	4.76	2.33	7.09
		63	1927	50,073,000	4.85	7.22	12.07

Courtesy J. G. White & Company

If the insurance companies would trade in the stock market like the average individual, a suitable reply to this question might be the familiar answer of "yes and no." There is less uncertainty than this answer implies, however, in the stock purchase methods of these companies. They buy their securities primarily for permanent investment—not as an open market trading proposition. They acquire the shares of substantial corporations and buy them when they have funds available, not when the "price is right." They retain their investments in junior issues as long as the position of the corporation of issue is fundamentally sound, and without too much regard for prevailing stock market quotations. Due probably more to their policy than their personal judgment, the managers of these investment funds did not consider stock prices excessively high for their purposes two years ago (as many individuals trading in the stock market did) and consequently they have enjoyed the substantial margins of market appreciation since that time.

This is the investment position of the fire insurance companies (and also casualty and indemnity-concerns) as far as generalizations permit. In the individual consideration of each company, it is a simple matter to appraise their investment position because of the detailed information published in this regard.

Many investors avoid the insurance shares because they feel that there is something mysterious or incomprehensible about their reports of their financial operations. In the matter of investment of assets, however, there is more dependable and official information available concerning insurance companies than there is about the real value of investments or assets of industrial, railroad and public utility companies.



Improved Loss Ratios

A second factor of importance that reacts to the favor of the fire insurance companies is the marked improvement in underwriting results that has occurred during the past year or so. Prior to 1927, the fire insurance companies had gone through a period of seven "lean" years as far as underwriting profits were concerned. Since that time the red figures have magically vanished in a great many individual instances and premiums taken in have been more than ample to cover claims on fire losses as well as the expenses of obtaining these contracts.

These results are due to several causes, the most important being better underwriting methods and lower fire losses for both insured and uninsured property. The tendency toward more centralized control, extension of the "fleet" idea and other affiliations place the underwriting of new policies under more satisfactory control as far as competitive methods are concerned. Fire prevention activities were largely responsible for a saving of more than 70 million dollars to the country last year, with fire losses at 320 million in comparison with 393 million in 1926.

A large part of this loss would have come out of the treasuries of the insurance companies. This same tendency continues into the current year; fire losses amounted to less than 210 million during the first eight months, compared with over 225 million in the corresponding period of 1927. Furthermore, this trend is established in spite of an increase in insurance in force. In 1921, the total of insurance in force of fire policies and allied lines was less than 50 billion dollars. By the beginning of 1927 it had risen to 75 billion dollars. Although insurance in force has increased at a faster rate than the growth in national wealth, there is still a wide margin to be covered, leaving a tremendous field for future expansion.

Indemnity More "Risky"

In the miscellaneous lines of casualty, indemnity, boiler, tornado, burglar and credit insurance, the underwriting experience of the companies that operate in these fields is far less stable or dependable than the experience of the fire companies. Consequently the incomes of these concerns are considerably more susceptible to year to year fluctuations than the fire companies, and from the same standpoint it follows that other things being equal, the indemnity company shares occupy a lower position on the investment plane. This is a group classification, however, and some individual indemnity company shares command a stronger investment rating than other individual fire insurance stocks.

In the tremendous pace that general business activity has assumed in these modern times, more and more protection in the fields served by these groups is required. Expansion of installment buying calls for protection to the merchant and the manufacturer on these growing credit risks; automobile sales add to the fire, liability and theft protection sought by the motorist; the passing of business control from the small proprietor to the large corporation opens up new opportunities for the bonding and surety concerns. In this wide list of indemnity risks, the experience of the underwriting companies is far more limited and considerably less dependable than the mortality tables of the life companies and the loss ratio of fire underwriters. Rate adjustments are frequent in order that the indemnity company may be adequately protected and at the same time keep its customers.

Summary

While investment opportunities in other quarters are becoming scarcer with generally rising values, the investor who finds insurance stocks a suitable addition to his list of holdings has a reasonable expectancy for future growth in value for the shares of the well entrenched and ably managed concerns. Three constructive influences are to be noted as far as present and future insurance company profits are concerned: first, continued growth in insurance outstanding for all classes of insurance protection; second, favorable investment markets particularly for the life and casualty companies which are permitted greater latitude in their investment activities; and third, a notably improved loss ratio, particularly in the case of the life and the fire companies. Together, these factors provide a strong foundation of values for this group of securities.

Statistics and Investment Position of Leading Insurance Stocks

Name	Capital*	Surplus*	Unearned Premiums*	Liquidating Value*	Earnings*	Dividend	Recent Price Bid	Recent Price Asked	COMMENT
	000 omitted			$ per Share					
Ætna Fire	$5,000	$14,688	$26,425	$655	$121.30	$24	880	890	Strong statistical position, improved this year by better underwriting results.
Ætna Life	15,000	26,003	NF	NF	NF	12	890	900	Insurance in force increased over 2 billion since 1920—desirable investment.
American Surety....	d 5,000	5,100	6,661	128	24.02	†11	260	270	Favorable underwriting results during past 5 years; attractive income return.
Conn. Gen. Life	2,000	6,210	NF	NF	NF	6	1,725	1,800	Small capitalization; conservatively managed, but growing company.
Continental (new) ..	a15,000	27,788	26,721	40	8.14	2	87	88	Recent market rise reflects very good showing anticipated for the year.
Continental Casualty.	a 3,000	3,500	6,963	31	4.33	1.60	71	75	Signed reciprocal agreement with Nat'l Fire Ins., last year—shows underwriting loss.
Fidelity-Phenix (new)	a10,000	21,658	22,316	45	8.92	2	83	88	Good earning power, but new capitalization may limit market possibilities.
Fireman's Fund	b 5,000	6,860	16,063	95	13.63	5	112	116	Progressive company with splendid growth in past 20 years—shares attractive.
Globe & Rutgers ..	3,500	29,514	21,794	1,407	230.19	†44	2,900	3,000	One of the most successful insurance companies; strong position reflected in share values.
Great American	a15,000	23,560	19,476	39	3.64	1.60	49	51	Attractive low priced stock with good earning power and high liquidating value.
Hartford Fire	10,000	22,613	42,672	537	84.83	†22	830	850	Controls "fleet" of fire indemnity and marine companies—investment "profit" large last year.
Home	18,000	23,910	38,758	347	47.57	20	565	575	Heads extensive "fleet"—ably and economically managed—good investment.
Insurance Co. of North America ...	a10,000	23,279	28,795	45	6.15	2.5	73	75	Shows big gains in business since 1920, but underwriting results not favorable.
Maryland Casualty .	b 5,000	7,479	13,368	89	15.06	†5	155	165	Entered into reciprocal agreement with Home Ins. to exchange business—attractive.
Mil. Mechanics	a 2,000	3,171	5,996	40	4.96	1.8	44	48	Conservative management—dividend earned by wide margin—good long pull investment.
National Surety ...	c15,000	12,183	11,134	211	21.20	10	305	310	Good underwriting results from widely diversified business—conservative investment policy.
Northwestern Nat'l..	b 2,000	3,813	6,330	129	18.20	†6.25	200	210	Better than average underwriting results—attractive for income and profit.
Phoenix	6,000	18,006	12,703	501	79.43	20	820	840	Mid-year statement showed half million increase in income.
St. Paul Fire & Marine	b 4,000	10,837	12,197	124	18.00	4	207	213	Low expense ratio with gain from underwritings during past 5 years—attractive.
Travelers	17,500	38,930	NF	NF	NF	†24	1,575	1,625	Over 4 billion insurance in force—capital increase in line with growth.

* As of January 1, 1928—Earnings cover 12 months ended January 1, 1928, and include 40% of increase in unearned premiums. † Including extras. NF—Indeterminable. a—$10 par value stock; figures adjusted to present capitalization. b—$25 par value stock; figures adjusted to present capitalization. c—Capitalization increased to $16,000,000 October, 1928; the par value also being reduced from $100 to $50. All figures above apply to old stock. d—$50 par value.

How To Invest One Hundred Thousand Dollars

Suitable Means of Attaining Adequate Income Return from Bonds

By FRANCIS C. FULLERTON

THIS article is designed as a guide for the investment of a comparatively large amount of capital exclusively in bonds. While this plan takes advantage of the greater security of funded obligations over other forms of corporate issues, it has as its objective the provision for an attractive return without sacrifice of the element of appreciation in principal.

A GREAT deal has been written in recent years concerning the advantages to be derived by individuals in transferring a considerable part of their capital from bonds to common stocks, thereby placing themselves in the position more of part owners than creditors of corporations. Indeed the pendulum has swung so far in this direction, even to the extent of a continuation on a large scale of advancing stock prices in the face of high money and receding bond prices, that the place always heretofore occupied by bonds in any judicious investment program and the proper perspective in regard to the relation between stocks and bonds have been somewhat obliterated as a result of the different point of view. Such a condition, of course, is in particular stimulated by the spectacle of constantly rising stock prices to levels bearing an extremely high ratio to share earnings, the theory being that the almost negligible income return in many cases will be more than counteracted by enhancement in principal.

Fixed income securities, apart from the general influence of money rates, sell as a rule on the basis of the status of the respective corporations actually existing, while prospective, but as yet undeveloped, earning power often plays a major role in the market appraisal of common stocks. There is no question which is the sounder basis of appraisal, and at such time in the future as the trend of the stock market reverses itself for any appreciable period, bonds will once more resume their former popularity. In the meantime, and for the benefit of the "old-fashioned" investor, who still retains a preference for the greater security of funded obligations over other forms of corporate issues, it should be interesting to outline a means whereby a comparatively large amount of capital, not requiring security of the very highest grade, may be placed in bonds exclusively on an adequate income basis, and, furthermore, without sacrifice of the element of appreciation in principal.

Purpose of the List

The accompanying list is designed for an investment fund of approximately $100,000, preferably a supplementary fund, for a complete investment program should contain a backlog of really high grade securities whereon so high a yield would not be feasible. With an equal amount in high grade issues, the $100,000 could then be placed in the manner described herewith. The additional income and the possibilities of market appreciation provided by the supplementary list would go a long way in fulfilling the functions usually supplied by stocks, and the list as a whole would have the virtue of affording better protection against adverse contingencies and eliminate entirely, at the discretion of the holder, any necessity for stock investments whatever. There is no intention here to disparage stocks, either common or preferred. It is simply desired to show, in connection with the undue stress now laid on the investment aspect of common stocks, that the field of bonds is much broader than generally recognized by the public under present conditions, and can be utilized in a manner to supply most of the diverse objectives of a well rounded investment program without impairing its inherent qualities of greater security of interest and principal.

The accompanying list is not confined to the requirements of large funds; down to a certain point it is likewise suitable for multiples of $100,000 under the same conditions, bearing in mind, however, that under ordinary circumstances, the smaller the total capital the greater should be the proportion of bonds of a higher grade character than the average of those included herewith. These issues, for the particular purpose at hand, are designed for purchase in their entirety, and, whatever the size of the fund available, should be acquired in equal amounts, or as nearly equal as possible. Thus the investor desiring to place $100,000 should buy $5,000 of each, the investor with $80,000, $4,000 of each, and so on down the line. All the issues do not measure up to identical investment standards and the profit possibilities in connection with the second group are variable, so that the selection of one or more isolated bonds might well work out less favorably than the twenty as a whole.

Higher Yield

The list is divided into two sections. The securities contained in the first group are for the sole purpose of increasing the average income by providing a yield higher than can be obtained from most bonds of the highest grade. Moderate appreciation in some instances is possible, but this is a secondary factor and not the basis of selection. In a number of cases enhancement in value is artificially restricted by the redemption figure, but the return for this very reason is higher than for issues of equal investment grade and higher than would be possible if there were a free market.

(*Please turn to page* 81)

Western Power 5½s, 1957

An Interesting Convertible Issue

Approach of North American Common to First Conversion Price Places These Bonds in Favorable Position

By WALTER G. HORNER

ACQUISITION of a controlling interest in Western Power Corporation about three years ago was the means by which the North American Co. extended its far-flung public utility system into Pacific Coast territory. Western Power during the following year took occasion to issue 10 millions of Collateral Trust 5½% bonds to mature in 1957, but in order to provide a way for their earlier retirement and at the same time maintain as small a funded debt as possible, a provision was inserted permitting conversion into the common stock of the North American Co. at a specified schedule of prices starting with $75 a share. The stock has already sold above that figure this year, and is at the present time sufficiently close so that any further strength of a sustained character would have a decided bearing on the market for the bonds. The bonds at this writing are selling on the New York Curb at approximately their par value with a yield identical with the coupon rate of 5½% on a straight investment basis.

Western Power Conv. Coll. Tr. Series A 5½s, 1957

Convertible into North American Common Stock in five installments as presented:

$2,000,000	at	$75.00
2,000,000	at	81.25
2,000,000	at	87.50
2,000,000	at	93.75
2,000,000	at	100.00

North American Co.	1925	1926	1927	1928*
Gross Revenues	$93.0	$115.9	$122.2	$128.1
Operating Ratio	59.1%	55.6%	53.5%	52.5%
Net Income	$13.3	$ 17.6	$ 19.3	$ 21.7

* 12 months ended June 30.

Western Power Corporation is itself a holding company, with control through stock ownership of three main operating subsidiaries, the Great Western Power Co., the San Joaquin Light & Power Corp., and the Midland Counties Public Service Corp. More than a majority of the total outstanding stock of each of these three subsidiaries is pledged as security for the Western Power Collateral Trust 5½s. Bonds are to be retired under operation of the sinking fund to the extent of one-half of one per cent of the amount outstanding semi-annually, if available for purchase at or under 100 and interest. The issue is subject to redemption on the first day of any month upon thirty days notice at a price of 102½ and interest. Redemption may be made as a whole or in part. In the event that the bonds are selling at a premium in reflection of the conversion value, it will be essential for holders to exercise the utmost care to become informed of any redemption call without delay, and to take immediate steps to sell or convert any bonds which may have been called, otherwise an unnecessary loss will be incurred.

The bonds are convertible into North American common stock on the basis of 75 for the first 2 millions surrendered, 81.25 for the second 2 millions, 87.50 for the third 2 millions, 93.75 for the fourth 2 millions, and 100 for the remaining 2 millions. An advantage thus accrues to holders within certain limits according to the time at which they elect to present their bonds for conversion. A schedule of this character is by far the most unsatisfactory arrangement from the standpoint of bondholders among the various methods employed by corporations in inserting a stock equity in their funded obligations. When the conversion price is invariable or when it advances on specific dates, the holder has definite information on which to figure and can regulate his action accordingly. When, as in this case, the price is governed by priority of presentation, he is often in the dark as to the conversion status and impending market value of his security. The best way to handle a situation of this kind is to sell or convert the bond when the stock into which it is convertible is midway between the prevailing and next higher conversion figure. On the basis of the initial figure, $75 a share, each $1,000 bond is exchangeable for 13 1/3 shares of stock. Every point advance in the latter above 75, accordingly, is equivalent to 1.33 points in the market for the bonds, although as a matter of experience in similar cases bonds are not unlikely to sell somewhat ahead of the exact parity ratio. If the stock should become sufficiently strong to push the bonds up four to five points, it would be advisable to sell or convert, for once the entire first installment of two millions was surrendered, the next higher conversion price of $81.25 would become applicable, which, in the absence of an immediate further rise in the stock above that level, would in all probability have the effect of dropping the bonds once more to a price around which they would sell on a purely investment basis. They could then be repurchased in anticipation of the next conversion. It is unfortunate to have to recommend such a trading procedure in this kind of security, but it is the only means of protection against the defects of a conversion arrangement of this character.

From the standpoint of bondholders, the affairs of Western Power as such are interesting primarily in relation to the investment aspect of the issue, that is, the measure of protection afforded by assets and earnings. Speculative considerations are concerned more with the affairs of the North American system in its entirety, for any material enhancement in value would be predicated on a favorable trend in the holding company common stock. The bonds carry no guarantee by the North American Co., although there is naturally an implied sponsorship, and it would not be to the best interests of the controlling company to allow their investment status to become impaired. In the absence of any specific guarantee, however, it behooves the prospective purchaser to assure himself that the bond is sufficiently sound intrinsically, otherwise a commitment simply for the sake of conversion profits is not justified.

The Collateral Trust 5½s of 1957 are entitled to a medium rather than a high grade investment rating, largely owing to the substantial amount of subsidiary funded indebtedness outstanding and the consequent rather moderate margin earned over total annual requirements. Western Power occupies an important position among California utilities, its system serving a population of about 1.5 million, an area of some 12,000 square miles in which are located more than 200 communities, including San Francisco and other large cities. It controls fourteen hydro-electric and seven steam generating

plants with an aggregate capacity of 330,500 kilowatts. Earning power has undergone successive annual increases for several years past. The ratio of available income to interest charges and subsidiary preferred dividends in 1927 was 1.3, but a comparable showing has been made in each of the last several years, and whatever deficiency there may be in the margin over requirements is counteracted to a large extent by stability of earnings and the likelihood of continued steady growth. Properties at the close of last year were carried at a valuation of 160 millions as against a total funded debt, both subsidiary and direct, of about 96 millions. Steps will undoubtedly be taken to consolidate and reduce the subsidiary funded debt wherever possible, and the presumption is in favor of a greater equity each year behind the small bond issue under consideration.

In regard to the organization into whose common stock the Western Power bonds are convertible, the North American Co. is one of the earliest representatives of the public utility holding company form of organization, and on the basis of 1927 operations controlled the largest electric output under a single ownership in this country. In addition to the Western Power system in California, the main operating properties extend through the Middle West, centering around Cleveland, St. Louis, and Milwaukee respectively. Expansion has been on a very large scale. Annual gross revenues are now close to 130 millions, having more than tripled in the period since 1920. The trend of net income is even more impressive, the figure for the twelve months ended June 30 last, 21.7 millions, being more than seven times the corresponding figure for the fiscal year 1920. This reflects the marked success achieved in lowering the operating ratio, ability to assimilate new properties with the least possible delay, and to enhance the efficiency and extend the scope of existing properties.

The company follows the policy of making dividend disbursements in additional common stock, to the extent of 10% annually, in lieu of cash payments. North American Co. has no funded debt of its own. Its capitalization consists of 30.3 millions 6% cumulative preferred stock and about 4.8 million shares of no par common stock. As of June 30 last there were outstanding subsidiary funded debt to the extent of 329.4 millions and subsidiary preferred stocks of 162.2 millions. On the basis of consolidated earnings, share earnings on North American common for the twelve months ended June 30, after deduction of all charges including liberal depreciation amounting to nearly 11% of gross revenues, were $4.17 as against $3.87 for the 1927 fiscal year. Seldom spectacular, the general market trend of the stock has been almost continuously upward over a long period. In view of its present close proximity to the first conversion price, the Western Power bonds represent a conservative means of benefiting from any further strength.

Bond Buyers' Guide

Note.—The following list of bonds has been arranged solely on the basis of current yields to maturity. The position of any issue is not intended as an indication of its relative investment merit. Readers should observe a proper diversification of commitments in making their selections from this list.

Government

	Prior Liens (Millions)	Interest Times Earned on All Funded Debt	Call Price	Price	Current Income	Yield to Maturity
Panama 5½s, 1953 (a)	....	...	102½GT	102½	5.4	5.3
Dominican 5½s, 1942 (a)	....	...	101G	99½	5.5	5.6
Haiti 6s, 1952 (b)	....	...	100	100	6.0	6.0
Argentine 6s, 1959 (a)	....	...	100	99½	6.0	6.0
Chile 6s, 1960 (a)	....	...	100	93¾	6.4	6.5

Railroads

	Prior Liens (Millions)	Interest Times Earned on All Funded Debt	Call Price	Price	Current Income	Yield to Maturity
Atchison, Top. & S. F. Conv. 4s, 1955	267.4	4.75	110	89	4.5	4.5
Illinois Central 4¾s, 1966 (a)	....	2.25	102½GT	100¼	4.7	4.7
Rock Island-Frisco Terminal 1st 4½s, 1957 (d)	....	X	102½T	96	4.7	4.7
Pennsylvania 5s, 1964	....	2.78	105T	103¼	4.8	4.8
Central Pacific Guar. 5s, 1960 (a)	....	2.58	105GT	103	4.9	4.9
Southern Railway Dev. & Gen. 6s, 1956	133.8	1.90	....	115	5.2	5.0
Great Northern Gen. A 7s, 1936 (b)	139.8	2.64	....	113	6.2	5.0
Missouri Pacific 1st & Ref. 5s, 1977 (a)	125.2	1.32	105A	99¼	5.0	5.0
Chesapeake Corp. 5s, 1947	....	2.45	100	99	5.0	5.1
N. Y., Chic. & St. Louis Ref. 5½s, 1974 (a)	59.6	2.49	107½	107	5.1	5.1
Western Pacific 1st 5s, 1946 (b)	....	2.29	100	99	5.1	5.1
Central of Georgia Ref. 5½s, 1959	31.1	1.30	105AG	106	5.2	5.1
Cuba R. R. 1st 5s, 1952	....	3.07	....	96¼	5.2	5.3
Chic. & W. Indiana 1st Ref. 5½s, 1962	49.9	X	105	103	5.3	5.3
Wabash Ref. & Gen. 5½s, 1975 (a)	62.4	2.02	105AG	103½	5.3	5.3
Northern Pacific Ref. & Impr. 6s, 2047 (a)	166.7	2.32	110G	113	5.3	5.3
Carolina, Clinchfield & Ohio 1st & Cons.						
Minn., St. Paul & S. S. M. 1st 4s, 1938	....	1.17	....	90	4.4	5.3
6s, 1952 (b)	13.9	X	107½T	108	5.5	5.4
Baltimore & Ohio Ref. & Gen. 6s, 1995 (a)	284.2	1.56	107½AG	110	5.4	5.4
Vicksburg, Shreveport & Pac. Ref. 6s, 1973 (a)	2.0	X	107½AT	105	5.7	5.7

Public Utilities

	Prior Liens (Millions)	Interest Times Earned on All Funded Debt	Call Price	Price	Current Income	Yield to Maturity
Pacific Gas & Elec. Gen. Ref. 5s, 1942	34.6	1.95	105T	103	4.9	4.7
Utah Power & Light 1st 5s, 1944	....	1.86	105	101	5.0	4.9
Columbia Gas & Elec. Deb. 5s, 1952	....	6.96	105T	101	5.0	5.0
Montana Power Deb. 5s, 1962 (a)	34.7	2.62	105T	101	5.0	5.0
Consol. Gas of N. Y. Deb. 5½s, 1945 (a)	....	4.09	106T	106	5.2	5.0
Hudson & Manhattan 1st Ref. 5s, 1957 (b)	5.9	2.11	105	99	5.1	5.1
Detroit Edison 1st & Ref. 6s, 1940 (b)	14.0	2.41	107½T	108	5.6	5.1
Indiana Natural Gas & Oil Ref. 5s, 1936	....	2.69	....	98	5.1	5.3
Consol. Gas E. L. & P. of Balt. 1st Ref. 6s, 1949 (a) (c)	32.2	2.69	107½T	106	5.6	5.5
Amer. Water Works & Elec. Deb. 6s, 1975 (a)	12.7	1.33	110	105	5.7	5.7
Phil. Rap. Trans. 6s, 1962 (c)	10.0	1.21	105	103	5.8	5.8
Seattle Electric—Seattle Everett 1st 5s, 1939 (d)	....	1.76	105	93	5.4	5.9
Twin City Rap. Transit 1st & Ref. 5½s, 1952 (b) (d)	4.4	2.30	105T	91	6.0	6.1

Industrials

	Prior Liens (Millions)	Interest Times Earned on All Funded Debt	Call Price	Price	Current Income	Yield to Maturity
Gulf Oil Deb. 5s, 1947 (c)	....	15.39	104AT	100	5.0	5.0
Youngstown Sheet & Tube 1st 5s, 1978 (a)	....	4.12	105T	101	5.0	5.0
Allis Chalmers Deb. 5s, 1937 (a)	....	4.80	103T	100	5.0	5.0
International Match Deb. 5s, 1947 (a)	....	6.16	103T	98	5.1	5.1
Chile Copper Deb. 5s, 1947 (a)	....	6.26	102T	96	5.2	5.3
Amer. Cyanamid Deb. 5s, 1942	....	4.10	100	94	5.3	5.6
Sinclair Pipe Line 5s, 1942 (a)	....	4.27	103	94	5.3	5.6
Bethlehem Steel Cons. 6s, 1948	101.3	2.33	105	105	5.7	5.6
Amer. Chain 6s, 1933 (a)	....	6.87	105	100	6.0	6.0
Loew's Inc. 6s, 1942 (ex warrants) (a)	....	6.70	105T	100	6.0	6.0
U. S. Rubber 1st & Ref. 5s, 1947 (b)	2.6	2.60	105A	88	5.7	6.0
Schulco B 6½s, 1946 (a)	4.0	X	103T	102	6.4	6.3

Short Terms

	Prior Liens (Millions)	Interest Times Earned on All Funded Debt	Call Price	Price	Current Income	Yield to Maturity
Sloss-Sheffield P. M. 6s, Aug. 1, 1929	1.6	6.79	105	101	5.9	4.5
Standard Milling 1st 5s, Nov. 1, 1930	....	4.75	....	100	5.0	5.0
N. Y., Chic. & St. Louis 2nd & Impr. 6s, May 1, 1931 (a)	17.3	2.49	102	101⅞	5.9	5.2
Central of Georgia Sec. 6s, June 1, 1929	31.0	1.80	101AT	100¼	6.0	5.6
Georgia, Carolina & Nor. 1st 5s, July 1, 1929	....	1.28	....	99	5.0	7.0

All bonds are in $1,000 denominations only, except (a) lowest denomination $500, (b) $100. Earnings are on five-year average basis unless available only for shorter period.

A—Callable as a whole only. T—Callable at gradually lower prices. G—Not callable until 1930 or later. X—Guaranteed by proprietary companies. (c) Listed on New York Curb. (d) Available over-the-counter.

Kansas City Southern Rwy.

WHAT BREAK-UP of SOUTHWEST MERGER MEANS to K. S. U.

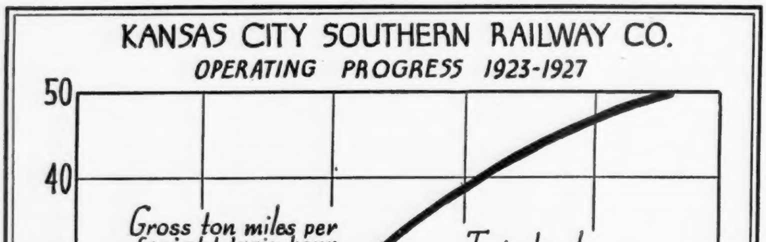
Sale of Holdings Strengthens Position

By A. M. LARNED

ALTHOUGH the Interstate Commerce Commission recently denied the right of the Kansas City Southern Railway Company to merge with the Missouri, Kansas & Texas and the St. Louis Southwestern Railroads into a single system, the latter decision should not necessarily alter the fundamental position of Kansas City Southern as an independent carrier. While its inclusion into a larger and more completely unified system would no doubt have hastened its development, its progress as an independent road since the beginning of the present century has been satisfactory. A combination of two highly important factors enter into its affairs, namely, the strategic location of its line and the fact that it serves a territory whose great wealth of natural resources have hardly been exploited. The latter phase of the situation lends great possibilities for the future development of its traffic.

The company is well situated from the standpoint of building up its traffic from connections. As one of the proprietary companies of the Kansas City Terminal Railway Company, it enjoys a considerable interchange of tonnage with many large western carriers, especially such large noncompetitive systems as Union Pacific, St. Paul, Chicago and North Western and the Burlington. The traffic density on the line is practically evenly distributed in both directions, and as a result there is no preponderantly heavy empty car movement. A considerable volume of crude petroleum from the Seminole district is received at Howe, Arkansas, from the Rock Island. This commodity is destined for the refineries at Port Arthur, Texas, at which point considerable tonnage in refined products originates.

Revenue freight transported increased from 7,046,132 tons in 1923 to 7,591,076 tons in 1927. The importance of Kansas City Southern as a direct link between the Gulf and points inland may be judged by the rapid growth of business received from connections. In 1927, this tonnage amounted to 54% of the total volume of revenue freight transported. As the number of new industries locating along the lines continues to increase, the volume of business originating in home territory should also grow. Since 1923, 149 new industries have located factories and plants along the line.



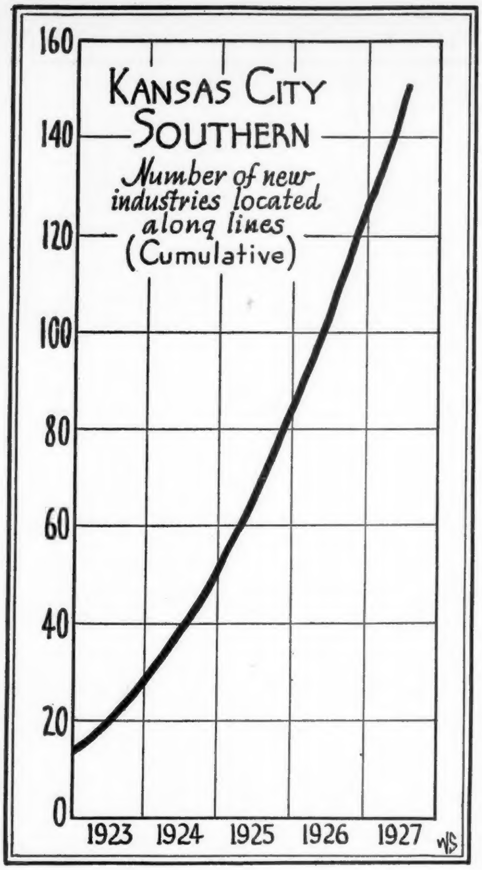
Diversified Tonnage

Tonnage is fairly well diversified, manufactures and miscellaneous being the largest item. It totaled 38.5% of all the revenue freight transported in 1927. It has increased considerably in the past five years, due to the growth of refined petroleum. The latter item has almost doubled since 1923 and last year constituted 25.1% of the total tonnage. Products of mines ranks second in importance, accounting for 35.3% of the tonnage. This group has also increased very rapidly due to crude petroleum shipments, which reflected a gain of 78%, during the period under consideration. Products of for-

ests, products of agriculture and animals and products comprised 16.9%, 5.9% and 2.2% of the tonnage carried in 1927. The first named item reflects a declining tendency, owing to depletion of timber lands and products of agriculture being dependent upon crop conditions fluctuate considerably. Less car load freight comprised 1.2%.

Railway operating revenues exhibit considerable stability, notwithstanding a decline of $437,506 since 1923. This is due to decreased passenger revenues. The latter declined from $2,422,776 in 1923 to $1,418,931 or 41.5%. Freight revenues increased from $18,086,931. During this period the number of tons of freight transported one mile increased from 1.68 to 1.93 billions, a gain of 14.8%. However, lower average receipts per ton mile prevented a correspondingly greater increase in revenues. The rate per ton mile declined from 1.074c in 1923 to .957c in 1927. This decrease was due to the large increase in the volume of crude petroleum transported. The latter commodity commands a low rate of about .5c per ton mile. Furthermore, as it does not originate on the company's own line, the rate is subject to division. Refined petroleum also exerts a tendency to reduce the average rate per ton mile since this item also commands less than 1c per ton mile. Owing to efficient operation, however, net railway operating income increased from $3,537,100 to $4,768,019 during this period. Attention is drawn to the table on operating progress which reflects the heavier train loads, greater speed of train movement and lower fuel consumption.

The showing of Kansas City Southern therefore, from an operating standpoint is highly satisfactory. In 1927, it reported the largest average net train in the Southwestern region, in which it is grouped. The average of 895 tons per train compared with an average of 638 tons for the region.



Kansas City Southern stood second in gross ton miles per train hour. Fuel consumption reflected a decline of 24.4% during the period under consideration. In consequence of this progress the operating ratio declined from 76% in 1923 to 67.8% in 1927. Transportation expenses declined from $7,397,666 to $6,785,783, notwithstanding an increase of 14.7% in ton mileage. The ratio of transportation expenses to gross revenues was reduced from 33.5% to 31.1%. Although the greatest proportion of the decrease in the operating ratio was absorbed by lower maintenance expenditures, both road and equipment are in satisfactory condition.

It is important to observe that Kansas City Southern operates but little branch line mileage and hence its maintenance expenditures per mile of road are ample. The average annual expenditures per mile of road since 1923 compare favorably with many of the larger systems in the region. Were this not so, it is doubtful if the operating progress witnessed during this period would have been possible, especially as Kansas City Southern uses especially heavy motive power. That maintenance of equipment expenditures are ample may be judged from the condition of the equipment. The percentage of bad order cars and locomotives as of December 31, 1927, was 2.8% and 11.4% as against permissible standards of 5% and 15% respectively. Moreover, the decrease in maintenance expenditures is the result of greater economies. As an example, repairs per locomotive mile were reduced from 36.4c in 1923 to 30.8c in 1927.

Purchase of Cotton Belt Stock

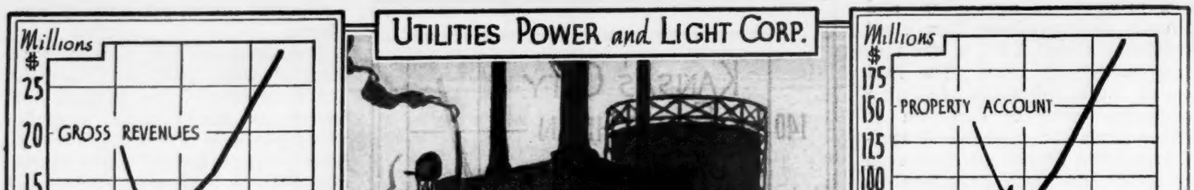
In endeavoring to carry out its consolidation plans, the company purchased 350,000 shares of Missouri, Kansas & Texas Railroad Company common stock and 135,000 and 20,000 shares of St. Louis Southwestern preferred and common stock respectively. Part of this was financed by the sale of bonds and part by the use of the company's credit, some of the securities purchased being deposited as collateral against bank loans. In consequence, interest charges on the company's funded and other indebtedness rose from $1,966,915 in 1923 to $3,019,270 in 1927, an increase of $1,042,355. Recently, the Interstate Commerce Commission ordered the Kansas City Southern to divest itself of its holdings of railroad shares and at present it has already complied to the extent of the

(*Please turn to page* 56)

The Kansas City Southern Railway Company

Revenue Statistics

	1923	1924	1925	1926	1927
Total Revenues	$22,102,150	$20,586,551	$20,877,302	$21,643,311	$21,783,593
Operating Expenses	16,762,781	15,260,914	14,585,605	14,548,658	14,764,490
Operating Ratio	76%	74%	70%	67.4%	67.8%
Transportation Exp.	7,397,666	6,798,832	6,607,558	6,766,974	6,785,783
Percent to Total Revenues	33.5	33.0	31.7	31.3	31.1
Net R'way Operating Income	4,246,332	4,483,601	5,223,819	5,929,587	5,879,872
Net Income	2,773,433	1,981,803	2,113,298	2,279,831	1,897,666
Surplus	1,933,433	1,141,803	1,273,298	1,439,831	1,057,666



Utilities Power and Light

LARGE SCALE EXPANSION INDICATES POTENTIAL EARNING POWER

Increasing Returns from Properties Suggestive of Closer Alignment with Capitalization

By G. F. MITCHELL

ONE phase of public utility development in this country during recent years has been the unification under a single management of widely separated properties bearing little or no physical relation. This is accomplished through the holding company form of organization, control being exercised by ownership of the common stock of subsidiary operating units, or the common stocks of intermediate holding companies in which may be vested the stock ownership in the corporation actually conducting operations.

A structure of this character, if many sub-holding companies are present, although often in reality less formidable than appears on the surface, undoubtedly involves considerable complication which renders it difficult to obtain an accurate picture of the ultimate source of earning power. Simplification of corporate relationships and capitalizations comes as a subsequent development and is usually effected through consolidation or elimination of corporate entities not essential to the proper functioning of the organization as a whole.

In the case of a public utility enterprise definitely committed to a policy of rapid expansion, acquisition of new properties and laying the groundwork for their more efficient operation are treated as the primary considerations, and take precedence over the important but less urgent question of creating a more compact organization out of diverse elements.

This in a general way has been the policy pursued by the Utilities Power & Light Corporation in building up an extensive public utility system under its domination and control. So rapidly has the complexion of affairs changed and so frequently have upward revisions occurred in the aggregate amount of capital securities outstanding, that the significance of share earnings as a criterion of value, except insofar as it indicates ability to take care of immediate dividend requirements, is usually very slight; for share earnings are often subject to sudden and substantial recessions simply in connection with new financing, tangible returns from which will not be in evidence until sufficient time has elapsed for the additional earning power acquired by that financing to become applicable in its entirety to the new ownership. In other words, if the amount of outstanding stock is largely increased in order to provide means for taking over an income producing property, a certain period of time is required before the shares receive the full benefit from the returns on all property that they represent. Under such circumstances, then, share earnings should be judged rather in the light of their probable basis during the year following, when effect will be given in toto to the enlarged scale of operations.

Simple Capital Structure

In contrast with some utility systems whose scope of activities is in a more or less constant state of flux, Utilities Power & Light has maintained a relatively simple capital structure as far as the holding organization itself is concerned. Excluding subsidiary obligations, there is but one issue of bonds and a single issue of 7% cumulative preferred stock ranking prior to two classes of common stock in which is embodied substantially all the residual equity in the system's earnings. Additional stock of all classes has been utilized in connection with expansion requirements. Class A stock, the senior of the two junior issues and the principal vehicle for public participation in the profits of the enterprise, has preference over the Class B in respect to dividends up to a certain point, and likewise participates with Class B in any additional payments. It is entitled to a rate of $2 annually before anything is disbursed on Class B, and after the latter has received an amount not exceeding in the aggregate the total required for the preferential $2 rate on Class A, the two issues each are entitled to one-half of any further dividend declarations. Participation, therefore, is not on the customary basis of so much per share over the basic rate. The excess amount accruing to each share of stock, on the other hand, is dependent upon the number of shares of each class of stock outstanding at that particular time.

It seems rather unfortunate that a capital structure so free in its broad outline from the complications sometimes found in public utility capitalizations should be complicated in this manner through such unusual provisions governing the distribution of dividends. It renders a selection as between the Class A and B stocks a matter of guesswork in determining which will prove the most advantageous holding in the long run.

The parent company bonds, a single issue of 5½% debentures maturing in 1947, were brought out last year in connection with new acquisitions, including one of the most important yet negotiated, the purchase of the entire common stock of Laclede Gas & Electric Co., which in turn owns the majority of the common stock of the prosperous Laclede Gas Light Co. as well as interests in other utilities. The debentures are outstanding to the extent of 20 millions, but there are also, according to the latest available financial statement, approximately 106 millions of subsidiary bonds to be added before arriving at the total funded indebtedness of the system. Subsidiary preferred stock outstanding amounts to 36 millions and subsidiary common stock in the hands of the public to 4.2 millions. Including 16.2 millions of the parent company preferred stock, the capitalization of the system ranking ahead of the Class A and B stocks aggregates around 190 millions, involving an annual outlay of close to 10 millions with a claim on earnings prior to that of Class A and B dividends. On the basis of present earnings, operating revenues and other income, less depreciation and taxes, amount roughly to 13 millions, and the final balance available for the two junior issues is about 2 millions.

Physical Growth

Changes in both the physical aspect and the extent of capitalization are so kaleidoscopic that any given figures of this character may hold good for only a brief interval. The accompanying graph illustrates the spectacular gains over a three-year period in gross revenues and in the book value of the property. It should prove interesting to compare this physical growth as far as possible with the capitalization which has been utilized to bring it about, even though only an approximate idea of the relative trends can be given owing to the fact that there is a continual overlapping among the three factors of gross revenues, property value, and capital. Figures applicable to the last four years are as follows:

	Gross Revenues (Millions)	Property Value (Millions)	Bonds and Pfd. Stocks (Millions)
1924....	$5.3	$29.5	$19.0
1925....	7.6	41.4	30.0
1926....	15.9	103.9	78.1
1927....	29.2	199.7	175.2

The securities column includes all bonds and preferred stocks of both the parent company and its subsidiaries, but understates the capitalization, as the Class A and B stocks of the holding company, which have been subject to steady increases in the amounts outstanding, are left out of consideration for the time being because of the difficulty of according them a definite face value. They are no par issues, and the arbitrary value given them on the balance sheet is out of line with their present market value. The above figures in terms of the annual percentage of increase in each item over the preceding year are shown herewith:

	Gross Revenues Per Cent	Property Value Per Cent	Bonds and Preferred Stocks Per Cent
1925...........	43	40	58
1926...........	110	152	160
1927...........	84	92	124
1927 over 1924.	450	580	820

Since the period of major expansion set in, it would appear that, even allowing for the inevitable overlapping and the fact that certain acquisitions are carried as investments and not as yet included as sources of revenue, returns are not yet commensurate with the cost of expansion. It is all the more creditable, then, that expansion on so large a scale has been conducted in a manner to maintain an adequate balance of earnings for the junior holding company stocks, and the latter are all the more attractive from the speculative standpoint in anticipation of the time when expansion can be subordinated to the further development of existing properties so that earning power can grow up to a capitalization which in the meantime will undoubtedly be made more compact. Building up a public utility system principally through acquisition of outside properties necessarily involves a large amount of capital, relatively greater than in cases where expansion takes the form largely of extension of existing facilities. Junior stocks of the former type of enterprise are not of investment calibre, but, if there is evidence of sound management, they offer as a rule correspondingly greater speculative possibilities, as the margin between present and potential earnings is usually wider. Utilities Power & Light has followed the policy of giving its Class A and B stockholders a return on their investments therein, in spite of its heavy expenditures for property acquisitions. Dividends at the annual rate of $2 a share are maintained on Class A together with a smaller and variable amount on Class B, but a considerable portion of the surplus earnings are conserved through an optional offer of 10% in additional stock of each class held, respectively, in lieu of cash. At prevailing market levels the stock distribution is the more profitable, besides being instrumental in building up a greater tangible equity.

Numerous Properties

Utilities Power & Light system comprises five major subsidiaries, Colonial Gas & Electric Co., Eastern New Jersey Power Co., Indianapolis Power & Light Corp., Interstate Power Co., and Laclede Gas & Electric Co., each of which exercises control over its own group of operating companies. There are in addition several other subsidiaries whose activities are not strictly of a public utility character. A tie-up is being effected between the properties of one of this latter group, the St. Louis Gas & Coke Corp., and properties controlled by Laclede Gas & Electric in the same general territory, which should be mutually advantageous and productive of operating economies. Interstate Power is the largest territorial unit in the system, its subsidiaries operating an interconnected component system over a wide area extending into Iowa, Minnesota, South Dakota and Nebraska. The field of activities of Laclede Gas & Electric and Indianapolis Power & Light is concentrated in and around St. Louis and Indianapolis respectively, while the remaining two major subsidiaries cover sections of New Jersey, Connecticut and Rhode Island. Laclede Gas & Electric, however, has a subsidiary, the Laclede Securities Co., which controls a company serving a single town in New Brunswick, Canada, and likewise a newly acquired controlling interest in Central States Utilities Corp., a system of moderate scope but extensive area which is being carried by the parent organization as an investment with no inclusion as yet of earnings and property value thereof in the financial statements. On the basis of 1927 figures it will add approximately 2 millions gross and one-half million net to the consolidated earnings. The location of the properties suggests perhaps an eventual tie-up with Interstate Power.

THE extensive program of expansion which this company has pursued has not yet been reflected in earnings proportionate to cost involved. The chief speculative attraction to the junior stock of the holding company lies in anticipation of the time when newly acquired properties can be developed to a point where earnings can be brought in closer alignment to present capitalization.

Increasing Production

Although the system furnishes virtually every form of public utility service in one locality or another, it is predominently electric and gas, with electricity accounting for about 60% and gas 30% of gross revenues. The combined subsidiaries generated or purchased during 1927 585.9 million kilowatt hours as against 378.2 million in 1926 and only 64.7 million in 1924. The corresponding figures for manufacture or purchase of gas were 8.9 billion cubic feet in 1927, 820.1 million in 1926 and 224.9 million in 1924, the huge increase of last year being due, of course, to acquisition of control of Laclede Gas Light Co. As a further result of

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What *Is the* Intrinsic Value *of a* Stock?

An Important Series of Articles for Investors

Part 1. Relationship of Earnings and Financial Position to Market Price.
Part 2. Relationship of Dividends to Earnings.
Part 3. How to Determine Which Stock of a Group Offers the Best Opportunities.

Part II

IN the preceding article of this series, it was shown that the difference between the book value and the market value of a stock is its "going concern" value. This going concern value represents the market's appraisal of the worth of the intangible assets previously mentioned. Among these were such items as managerial ability, good-will, trade or competitive advantages and the like. No mention was made, however, of another important influence which shapes the public's estimate of the worth of stocks, since this factor, namely, the relation of dividends to earnings, is deserving of independent treatment.

Dividend Policy

It is needless to state that the dividend policy of a corporation has a very important bearing both on the market value and, though this fact is probably not so generally realized, on the intrinsic value of its securities. Common stocks are essentially equity issues. In other words, after deducting from total assets all outstanding liabilities and allowing for outstanding preferred stocks, if there be any, there will remain an excess of assets which are the property of the common stockholders.

It will be obvious, therefore, that any steps taken by a corporation management to enhance the company assets must work to the advantage of the common shareholders by increasing these equities, or the excess of assets over fixed and floating obligations. Likewise, errors of judgment in the conduct of the company's business or an injudicious dividend policy may result in diminishing them.

Bonds constitute a prior lien which must be satisfied before the preferred and common shares may make any claim upon assets. Similarly, interest and sinking fund charges must be met before any consideration may be given to the payment of common and preferred dividends. In the event of liquidation, therefore, the bondholders would first have to be paid in full before any distribution of assets could be made to preferred stockholders. The latter would next participate in the division of assets up to an amount usually stipulated by charter provisions when a corporation is organized or the preferred stocks issued. That is to say, the amount per share to which preferred stockholders are entitled is generally limited to a definite figure. All assets remaining after the claims of these senior securities are satisfied, therefore, will then be available for equal division among the common shareholders who stand in the relationship of partners in the business.

From this it follows that changes in the aggregate assets behind a corporation's securities will affect the market value of its bond issues least, and of its common shares most, directly. So long as the assets securing the bond issues are maintained above a level representing an ample margin of safety over the principal amount of funded debt, and net earnings continue in excess of interest charges, the market value of a company's bonds will be governed chiefly by conditions that influence the general level of bond prices, namely, money rates and commodity prices.

Common stock prices, on the other hand, are extremely sensitive to fluctuations in earning power and asset values. It is conceivable, nevertheless, that persistence in a common stock dividend policy which tends to deplete working capital and previously accumulated surplus must also eventually have an adverse effect upon the holders of senior securities. The margin of safety which previously secured their principal and the payment of interest or preferred dividends is being decreased and the corporation's credit must suffer accordingly. The inevitable result is to destroy investors' confidence in the suffering corporation's bonds and preferred stocks (should it have such obligations) and reduce its common stock to a speculative basis.

But the common shareholders are injured not alone by the reduction of tangible assets. The weakening of the company's financial condition may, and probably will, prove deleterious to its trade position. Furthermore, confidence in management becomes impaired. Thus, there is a decline in the public's estimate of the worth of intangible assets and an attendant loss in the intrinsic value of the stock concerned.

Business concerns are organized and operated for the purpose of producing profits for shareholders. The latter logically expect to receive as large a return from their investment as may be compatible with the success of the enterprise. The amount of the dividends which they shall receive, however, cannot always be measured by the amount of per share earnings realized in a given period.

Not Fixed Charges

Dividends are not in the nature of a fixed charge but may be altered at will by company management to suit conditions. In some cases, by virtue of a long, unbroken record of payment, corporations continue to maintain a dividend rate not justified by current earnings. The management may feel entitled to draw upon funds accumulated during previous years to continue disbursements in the expectation that the lean period will not prove of sufficiently long duration to require extensive depletion of working capital on this account.

Where assets are likely to be impaired by maintenance of dividends that are not being earned, however, management can do stockholders a greater service by omitting them. Generally, speaking, shareholders are prone to complain that their dividend payments are not in harmony with earnings. That is to say, there is the human tendency on their part to become impatient and seek the fullest possible immediate benefits from the enterprise in which they have an interest.

True, a corporation should not attempt to function as a savings bank. When capital has piled up in excess of the

needs of the business, it becomes the duty of management to divide the over-supply among the partners, that is, the common stockholders. At the same time, provided they have exercised good judgment in selecting a board of directors, the shareholders should leave the determination of dividend policy in the hands of the management.

In a business that is relatively stable and where the prospects for growth do not appear promising, there is less need for capital expenditures than in the case of companies engaged in an expanding industrial field. Where existing productive capacity of concerns already established is more than ample to care for the average consumer demand, companies representing an industry of this kind have nothing to gain by enlarging their individual plant facilities. New business may be attracted by manufacturing a superior product which will tend to increase profits, or earnings may be improved by working out operating economies. In general, however, concerns in this category, of which the railroad equipments are a typical example, can afford to pay relatively large dividends, provided, of course, cash resources are ample. There is no need to divert earnings to the company treasury in a stabilized industry or one which has reached a saturation point, inasmuch as such earnings cannot be re-invested by the management with the reasonable expectation of securing additional profits for the shareholders. Accordingly, the latter may reasonably expect to receive a liberal percentage of current earnings.

Providing for Expansion

A policy of fixing dividends to fit earnings by raising or lowering rates to conform closely to changes in earnings is not feasible with the majority of American corporations, however. The broad trend of most industries is toward expansion. Hence, corporation managements, if they would assure their company its proper place in the economic scheme of things, must make provision to keep up with the procession. They must find capital with which to build additions to plant, promote research and development, make improvements, and the like. In a successful business, the most logical place to obtain this capital is from the stockholders. As a matter of fact, to state the case another way, the most successful companies, those that have grown from the humblest positions to the rank of industrial leadership, are frequently the ones that have most consistently followed a policy of internal borrowing.

By internal borrowing is meant simply the withholding of a large portion of net profits for re-investment in the business. This, in effect, amounts to borrowing from the shareholder. But it has the advantage that the company which derives capital for expansion by retaining excess earnings does not go in debt thereby. It is merely withholding from common stockholders a portion of the profits which are theirs by paying them modest cash dividends in order that surplus earnings can be devoted to investment in new plants and for exploiting new opportunities.

Capitalizing Profits

Though stockholders may feel that they are not receiving a fair share of current profits as the result of such a policy, actually, they are much better off in the long run. Profits withheld still remain their property and, if judiciously invested, an increase in intrinsic value of their shares follows from the enlargement of property account through re-investment of earnings. At the same time expansion of sales and profits goes to enhance the market valuation of their stock holdings. Accumulated profits must eventually be capitalized by transferring them from surplus to capital account through the issue of stock dividends or by offering valuable rights to subscribe to new shares on an attractive basis.

The chain stores probably are the most prominent example of this type of dividend program and the resultant physical growth as well as consistent stock price enhancement. New stores are constantly being added to the existing chains. Each additional unit is paid for out of earnings and immediately produces an increment of gross and net sales which goes to swell per share earnings beyond previous yearly totals.

Instead of disbursing liberal cash dividends, the successful chain stores have retained the larger percentage of annual profits for expansion. But as their business grows, stockholders participate in the expanding earnings by the medium of stock dividends and rights to purchase new shares at prices well below the prevailing market. The non-success of such chain stores as have fallen behind their competitors may generally be attributed to undue liberality toward stockholders. The payment of liberal cash dividends, at the same time that large sums are being laid out for expansion, must prove detrimental to working capital. Depletion of liquid assets results and usually leads to a similar loss of other equities, tangible and intangible.

First Call on Earnings

It may be stated as a general principle, then, that where capital can be employed profitably in building up a business to produce a steadily swelling total profit, the corporation management should have first call upon earnings. In other words, a reasonable percentage of net should be paid out in the form of dividends, but an equal or even greater percentage should be retained for re-investment. When this is done, actual and intangible asset values alike can be depended upon to increase.

On the other hand, in an industry where existing productive capacity is ample for or in excess of consumers' demands, there is not this need for the re-investment of earnings. In such an industry nothing is gained by withholding an excess of net profits from shareholders. If there is no prospect of future growth, shareholders may well be permitted to receive liberal dividends. The corporation can have no use for over-abundant working capital and its stockholders are entitled to the higher dividends as compensation for the possibilities of restricted growth. A generous dividend policy, in the case of a stabilized industry, obviously does not tend to detract from the intrinsic value of representative stocks.

The relation of dividends to earnings will, therefore, depend very largely upon the the type of business in which a given company is engaged. Some of the most successful enterprises are those that have adhered to a policy of paying out approximately one dollar of income for each dollar retained in the business. The Pennsylvania and Atchison railroads are outstanding examples of this policy of retaining 50% of income for improvement and development. In consequence, their common stocks have attained high investment favor.

In the public utility field, where earnings tend to grow year by year and where wide fluctuations below the average level of growth are exceptional, it is permissible to pay a more liberal percentage of profit to shareholders. In other words, the smaller margin of safety of earnings over dividends is compensated by the greater stability of the business. The extreme stability of earning power makes the public utility enterprise a desirable credit risk. Thus, borrowing for expansion can be arranged outside the family of shareholders on such terms as to make the practice desirable and remunerative. The borrowed capital carries a reasonable interest rate, while the excess earnings obtained, over and above fixed charges, fall to shareholders and go to increase their profits.

Strength of Conservative Policy

Oil companies, on the other hand, being subject to the vicissitudes of a variable business, normally seek to fix dividend rates well within average earnings' experience. In the case of the Standard Oils for example, a period of depression and shrinking profits does not find commensurate reflection in the stock market. Shareholders appreciate the fact that the intrinsic value of their stocks has been enhanced by the constant re-investment of surplus profits. Ample reserves and working capital are available, if needed, to maintain the integrity of dividends should unsettled conditions temporarily cause a falling off in gross and net. Moreover, the constant enhancement of equities tends to give them a high credit rating. If need be, capital can be raised by public subscription on advantageous terms, although these companies generally prefer to follow the plan of utilizing a generous measure of annual income for improvements and additions to properties.

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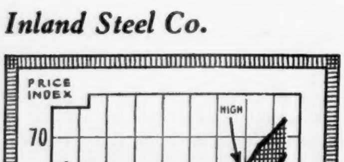
Eight Stocks Selling Below Asset Value

Even under the impetus of a bull market a considerable number of stocks have persisted in selling below the true value of their assets. In most cases this has been due to depression in the industry or to special causes which have interrupted earning power. Opportunities appear among such issues where earning prospects give evidence of early betterment, and after careful study our staff has selected the best of those in such position.

Inland Steel Co.



INLAND STEEL has made an excellent record over the past several years and now appears to be in a sound position to take full advantage of the improved conditions surrounding the steel industry. Ranking as one of the strongest of the so-called independents Inland is the second largest producer in the Chicago district and markets a large proportion of its output within a radius of 100 miles from its plants. A widely diversified line of products is manufactured and a strong position relative to raw material supplies is occupied.

Early in the current year considerable interest developed in a proposed consolidation with Youngstown Sheet & Tube Co., but these plans were later abandoned. In any event the steady progress made by the company amply proves that it will be able adequately to protect its position in the industry operating as a separate enterprise and if further mergers are considered it is probable that the most favorable terms will be demanded.

Net earnings have shown unusual stability, the average for the last five years being $5,915,000 with a peak of $7,147,704 reached in 1926 with only a very moderate decline to $6,806,894 in 1927, during a year when all steel companies were adversely affected by low prices. For the first six months of 1928 net earnings were reported as $4,841,722. In this period Inland was the only major steel producer to show an increase over the corresponding months last year. Under the improved price situation now existing and with the current high rate of operations the outlook is for full year earnings exceeding the 1926 record by a very comfortable margin. Reduced to a per share basis earnings available for the common stock were $3.88 for the first half of the current year against $5.45 for the full year in 1926 and $5.16 in 1927.

A very substantial accumulation of assets has resulted from this stable earning power coupled with a conservative dividend policy. Total assets, which stood at $67,954,225 on December 31, 1923, have expanded to $93,195,679 as of June 30, 1928—a gain of more than $25,000,000 in 4½ years. Property account has increased from $38,936,387 to $53,199,488 during the same period. Current assets of $33,604,000 included $5,617,000 cash and $9,796,000 Treasury certificates and other marketable securities against total current liabilities of $4,446,000. Net working capital was $29,158,000.

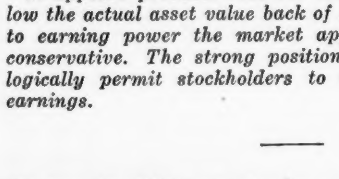
Property account included lands, plants and mines, carried at the figure given above after very liberal reserves for depreciation and depletion including charge-offs for the above accounts amounting to some $7,000,000 since the beginning of 1924. Surplus stood at $20,709,000 after $3,040,000 operating and contingent reserves. Based on these highly conservative balance sheet figures the book value of each of the 1,200,000 shares of no par value common stock was about $46.26 as compared with a current market price of about $71.50—but based on real values the ratio of asset value to market price would doubtless be even more favorable.

If earnings for the last half of the year should, as now seems very probable, equal those of the first six months the total for the year will amount to more than $9,000,000 or to nearly $8.00 per share, and based on these figures the present market price is less than ten times indicated current earnings. The price range for the year to date has been between 46 and 74½.

There is no preferred stock. Funded debt amounts to $30,000,000, bearing interest at 4½%, so that annual charges prior to the common stock dividends amount to only $1,350,000. The regular dividend rate is $2.50 per annum based on which the yield at the current prices is about 3½%. In connection with the proposed merger with Youngstown a special cash distribution of $4.45 and 1½% in stock was paid in March of this year.

It appears probable that the current market price is below the actual asset value back of Inland stock and relative to earning power the market appraisal likewise appears conservative. The strong position of the company would logically permit stockholders to share more liberally in earnings.

Union Carbide & Carbon Corporation



BEGINNING as a manufacturer of calcium carbide and other gas-producing materials and the equipment used with these products Union Carbide & Carbon has expanded its activities and the range of its products until they now include a wide variety of special metals and metal alloys, batteries and electric appliances and chemicals such as alcohols, glycerines and acetones. This fall it will market a radio set under its well-known trade name "Everready." The rubber, dye, varnish and rayon industries are large consumers of the various chemical compounds manufactured by the company. Acheson Graphite Co., the largest graphite manufacturer in the United States, is a recent acquisition giving leadership in still another important field. In all there are now more than twenty subsidiaries engaged in a very wide variety of activities having more than 100 plants scattered throughout the United States and in Canada, Cuba and Norway.

Property account has expanded rapidly in recent years despite continued liberal write-offs. For example, during 1925 power leaseholds, patents, trade-marks and similar

items were written off from $36,000,000 to $1.00. Nevertheless, property account, which stood at less than $100,000,000 in 1921, now amounts to more than $180,000,000. Depreciation reserves amount to $36,500,000, surplus to $72,500,000 and the various intangibles—actually of enormous value to the company and its stockholders—are carried at the nominal figure of $1.00. Based on the conservative balance sheet items the book value of each share of stock is about $68.00 but this figure, of course, falls far short of representing actual intrinsic values.

Over a period of years earnings have shown a steady upward trend. Net income has increased from under $12,000,000 in 1922 to well over $25,000,000 in 1927 with the outlook for about $29,000,000 during the current year. Reduced to a per share basis, earnings available for the common stock amounted to $4.40 in 1922, $9.52 in 1927 with about $11.00 indicated for 1928. During the first nine months of 1928 $7.16 per share was earned against $6.64 in the same period a year ago.

The holding company has no funded debt of its own, and no preferred stock, the entire capitalization consisting of 2,659,733 shares of common stock, of no par value. Subsidiaries have a total of $13,379,500 bonds outstanding.

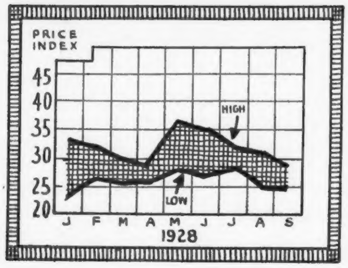
The current strong financial position is typical of the company's conservative accounting methods. Current assets as of December 31, 1927 amounted to $63,180,000, including $16,267,000 cash, against current liabilities of $11,670,000 with indicated net working capital of $51,510,000.

Possibilities of development in the chemical and electrical industries appear unlimited, and Union Carbide and Carbon may safely be ranked as the leading industrial chemical manufacturer and one of the major producers of electrical specialties. The magnitude of the field of expansion and the broad diversity of operations should insure stable and steadily increasing earning power. Occupying a strategic position in a group of industries which offer such unusual opportunities the future of the company is assured.

As earnings increase a more liberal dividend policy could well be adopted, or part of the surplus capitalized by the distribution of a liberal stock dividend. Action of some sort giving stockholders a larger share in the prosperity of the company would not be surprising at any time.

These are some of the points to be considered when appraising Union Carbide & Carbon stock as a current investment medium. Over the year 1928 to date the market price has been between a low of 136⅛ and a high of 202 with the present quotation around 198. If the net for the year reaches $11.00 per share the present price is still only some 17 times available earnings while the yield, based on the current dividend of $6.00 per annum, is only 3.1% Obviously the stock is not cheap on earning power or for income purposes, but the high price is based on sound asset values and the possibilitity of more liberal treatment of stockholders. *The future developments which are being discounted seem so certain of realization that present quotations not only appear well justified but purchases at present levels, if held over a reasonable period, should prove profitable.*

Remington Rand, Inc.



To include among a list of stocks selling below asset value one whose per share equity by the evidence of the company's own balance sheet, is scarcely equal to two-thirds the prevailing market price, even with the inclusion of such intangibles as good-will, patents and the like, may seem a bit grotesque. However, it is not always book value, or even current earnings, that determine the desirability of a common stock. The buyer of speculative issues must seek to appraise values rather from the standpoint of future probabilities than that of existing realities.

As of March 31, 1928, Remington Rand's consolidated balance sheet showed total assets of 73.13 million dollars. After deducting from this item 25 millions of funded debt, representing the 20-year 6½% debentures, 19.42 millions representing the first 7% and the second 8% preferred stocks, and such other items as good-will, current liabilities, etc., there are left net tangible assets of 5.85 million dollars. Thus, the net tangible assets applicable to the 1,333,460 shares of common stock are equivalent to a little more than $4 a share. If the 17.82 millions book value of patents and good-will be included, the common stock still has a value of but slightly over $17 a share.

These figures suggest that the policy of basing capitalization on present and expected earning power characteristic of Rand Kardex Bureau, which with Remington Typewriter, formed the principal link in the present chain of consolidated business and office equipment companies, was perpetuated after the merger.

It should be recognized, however, that such a method of evaluation can take no account of the all important factor of management. This, of itself, is an asset of no mean importance. The record of the constituent companies demonstrates that, in due course, the new company may logically be expected to reveal the progressive earning characteristics that distinguished the predecessor units.

Earnings of the constituent corporations in 1926, reduced to the basis of Remington Rand's capitalization, were equivalent to $3.16 a share for the latter's common stock, compared with $2.48 in 1925 and $1.16 the year before. Net last year dropped to 26 cents a share, reflecting the disruption attending consolidation. Evidence of growing pains are still apparent in recent income reports. In the three months ended June 30, for example, net profits were again small, being equal to 7 cents a share.

Manifestly, the consolidated company has not yet struck its stride. There remains the possibility of further rela-

Important Statistics Summarized

Company	Earned 1927	per Share 1928	Dividend Rate	Recent Price	Yield	Net Working Capital	Book Value per share
Inland Steel Co..................	$5.16	$3.88 (6 mo.)	$2.50	72	3.50%	$26,491,950	$46.26
Island Creek Coal................	5.64	3.00 (9 mo.)	4.00	51	7.8%	7,541,000	27.22
Mid-Continent Petroleum Corp. ..	1.92	N.F.	....	38	......	19,548,000	48.50
National Enameling & Stamping..	Nil	0.15 (6 mo.)	....	44	......	5,825,000	118.16
Remington-Rand Inc.	1.17*	0.34 (6 mo.)	....	26	......	30,401,000	
Union Carbide & Carbon.........	9.53	4.46 (6 mo.)	6.00	198	3.1%	51,510,000	68.18
Chicago, Rock Island & Pacific Ry..	12.08	15.00 (Est.)	6.00	132	4.5%	21,782,875	144.15
Nashville, Chattanooga & St. Louis Ry.	14.54	15.50 (Est.)	7.00	180	4.0%	4,861,881	221.36

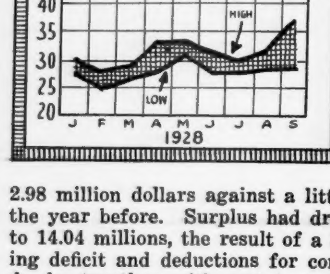
*Year ended March 31, 1928.

N.F.—Not available.

tively meager quarterly earnings before the business returns a margin of profit comparing with the record made by the subsidiary companies prior to amalgamation. Office equipment manufacture, however, has practically attained the status of an essential industry. It is not materially injured by periods of depression and the high percentage of reordering tends to make for additional stability.

The Remington Rand organization is so constituted as to have large potentialities for growth, both in domestic and foreign markets. Its common stock, by virtue of the current slender earnings and lack of tangible evidence of nearby substantial expansion in net, is available at prices rendering it attractive, purely as a speculation, for the long term. Passing of the quarterly 40 cents cash and 1% stock dividend last November brought about liquidation which carried the common from its 1927 high at 47 to a level in the lower twenties. *From a market viewpoint, it has now experienced a period of seasoning and at prevailing prices around 26 appears not without promise in a market where deflated issues are the exception.*

Mid-Continent Petroleum Corp.



IN order to fully appreciate the improved status of Mid-Continent Petroleum, it is necessary to look back to 1923. As a result of depression, the company came to the close of that year in straightened financial condition. Working capital had been cut to 2.98 million dollars against a little better than 10 millions the year before. Surplus had dropped from 23.71 millions to 14.04 millions, the result of a 3.78 million dollar operating deficit and deductions for common and preferred dividends, together with certain readjustments. Bank loans were swelled from $750,000 to more than 9.16 millions while there was an accompanying ominous decline in cash account of more than 10 million dollars.

The steps, taken to remedy this unsatisfactory, it might almost be said dangerous, condition undoubtedly have had much to do with the restoration of Mid-Continent to its present position as one of the stronger and more promising independent oil companies. Bank loans were eliminated by an issue of 12.5 millions 6½% bonds and, with the aid of better oil markets, operations were restored to a profitable basis.

Dividends on the common stock, omitted in November, 1923, were temporarily restored in May, 1927, but again suspended in the following September. Their omission on the last occasion was justified, of course, by the decline in earnings common to all oil companies in consequence of generally unfavorable markets. At the same time, Mid-Continent's financial status was so materially improved by virtue of the good earnings shown in 1925 and 1926 and the retention of the bulk of those profits in the business, that the latest omission of common payments can be more clearly considered an indication of sound, conservative management than an indication adverse to earning capabilities.

Net profits fluctuated widely in the past, yet the improvements that have occurred under the present management would seem to have set the company on a footing enabling it to hold its own hereafter. Operations cover every phase of the oil business. The properties are compact and well coordinated. Pipe lines connect the producing properties with the refinery at West Tulsa, Oklahoma, which manufactures a full line of petroleum products. This plant is one of the largest and most modern in the Mid-Continent fields. Improvements have enhanced its efficiency and lowered production costs appreciably.

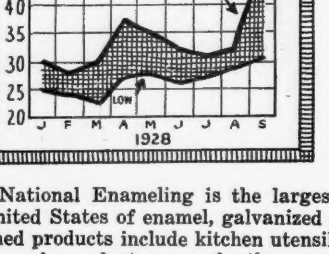
Crude oil output from the properties in Oklahoma, Kansas and Texas increased from 5.47 million barrels in 1926 to 8.23 millions last year while holdings of developed and undeveloped oil and gas acreage, the latter including lands in Arkansas and New Mexico, rose from 418,376 acres to 578,691. Investments in bulk and service stations were likewise expanded during 1927 by the addition of 424 units. A fleet of 2,100 tank cars and casinghead gasoline plants are included among the properties. Of these, the plant at Cromwell, Oklahoma, is the largest in the United States.

Despite the rather indifferent showing made in consequence of low prices last year, when a balance of $1.92 a share was reported for the common stock, Mid-Continent's finances continued to improve. This trend has been maintained into the current year. Thus, at the close of June, funded debt had been reduced to 9.38 million dollars, surplus was restored to 25.89 millions, while working capital had been brought to 19.54 millions. Cash alone stood at 5.98 millions, in addition to which the company had 2.35 million dollars outstanding on call. The amount of outstanding 7% preferred stock has gradually been cut down by sinking fund operations and now stands at 6.29 millions.

The 1,410,000 shares of common stock now have a net tangible asset value, on the basis of the latest balance sheet, of $48.50 a share, compared with a current market valuation of 38. This, in itself, does not afford a very definite criterion for judging the merit of the stock or its speculative possibilities, since these are more directly influenced by the trend of earnings and dividend potentialities.

Though the operating profit of 3.25 millions, before depletion and depreciation, shown in the first half of the current year fell considerable short of the 4.88 millions earned during the same period of 1927, there is reason to believe that Mid-Continent will very materially better its 1927 earnings performance, nevertheless. Demand for the company's refined products, marketed under its own trade name "Diamond," is steadily increasing. Like other well rounded units in the oil industry, Mid-Continent is thus being favored by the strong position of the refined petroleum market as contrasted with the rather uncertain position of companies more largely dependent upon purely producing activity. *As a speculation, the common stock does not appear to have discounted its future appreciably as yet.*

National Enameling & Stamping Co., Inc.



RECENT important changes in the set-up of National Enameling & Stamping Co., Inc., together with new business policies and a reported improved demand for some of the chief products may well bring a greater degree of prosperity to the company.

National Enameling is the largest manufacturer in the United States of enamel, galvanized and copper ware. Finished products include kitchen utensils of various sorts, gas, oil and wood stoves and other sanitary and sheet metal goods. During the recent years aluminum came into greater favor for cooking utensils somewhat displacing enamel ware for this purpose, but the new vogue for highly colored kitchen ware is said again to have reversed this trend and larger sales should soon result in greater profits.

During 1927 announcement was made of the sale of all interest in St. Louis Coke & Iron Corporation, for nearly $3,000,000 cash. Later in the same year the steel producing properties were segregated by the formation of the wholly owned Granite City Steel Co., and during the first half of the current year, through the sale and exchange of the company's investment in this subsidiary, the outstanding preferred stock has been retired. The result is a greatly simplified capital structure with only $251,000 in real estate mortgage bonds, due June 1, 1929, now ranking ahead of the common stock, of which there are 155,918 shares, no par value, outstanding.

The earnings record has been unsatisfactory during re-

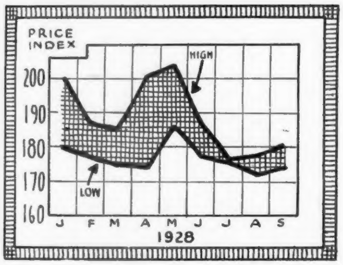
cent years, nothing having been available for the common since 1925. Current position, however, is very strong as total current assets as of June 30, 1928, equaled $6,336,000, or more than 12 times current liabilities of $511,000, showing a net working capital of $5,825,000. No bank debt has been reported since 1925.

Book value of the common stock is over $118.00 per share, but this figure includes patents and good-will as all intangibles are included with physical properties in a single blanket valuation for balance sheet purposes. However, it is clear that if all intangibles were eliminated and physical properties carried at the most conservative valuations the actual asset value back of each share of stock would still largely exceed the current market price of about $44.00 per share. The price range of this stock during the current year has been between 23¼ and 48⅞.

National Enameling has been getting its share of business but conditions within the industry have accounted for the poor earnings record. Stocks of the products manufactured by the company are now said to be low throughout the country and any real improvement in demand would be very quickly felt. The management is now free to devote its entire energy to improving sales and earning power and better results may reasonably be anticipated.

Selling so far below its asset value, this stock may in many respects be regarded as on the bargain counter. If the efforts of the management are rewarded by gains in earnings the improvement should be reflected very promptly in higher market levels for the stock.

Nashville, Chattanooga & St. Louis Railway



THIS company operates about 1,260 miles of railroad, about 860 of which are owned and 400 operated under leases and trackage agreements. The main line connects Chattanooga and Nashville and extends to Hickman, on the Mississippi River.

Funded debt includes $16,800,000 first mortgage 4% bonds, due in 1978, issued in February of the present year, plus $1,892,000 equipment trust certificates, and $9,140,017 obligations of subsidiaries guaranteed. Capital stock, all one class, $100 par value, amounts to $16,000,000 of which $11,484,100, or about 72%, is owned by Louisville & Nashville. Total capitalization amounts to only $27,370 per mile. Few railroads are capitalized so low.

Operating revenues have shown unusual stability over the last ten years amounting to $21,757,402 in 1918 and to $22,905,626 in 1927 with comparatively slight intermediate variations. Net income stood at $2,800,000 in 1918 but deficits after charges were reported for each of the three following years. In 1922 net amounted to $1,680,000 and a period of gradual recovery extended to 1925 when net reached $2,529,000 followed by slight successive declines in 1926 and 1927. The present year has seen a small increase both in gross and net.

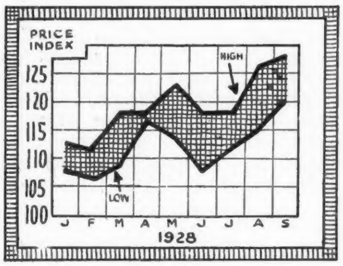
On a per share basis earnings for the common during recent years have been as follows: 1925, $15.81; 1926, $15.70; 1927, $14.54. For the full year 1928 about $15.50 is indicated, based on results of operations during the first eight months. Earning power has been maintained at satisfactory levels in spite of keen competition from motor transportation in freight as well as passenger traffic, and reflects increasingly efficient operations. Operating ratio gradually declined from 86.50% in 1923 to a little less than 80% in 1927.

Financial position is strong and the company enjoys a high credit rating. The current dividend rate of $7.00 per share has been maintained since 1917, and obviously the company could easily afford to pay more.

A most interesting fact is the high property valuation given to this company by the Interstate Commerce Commission. The tentative valuation as of June 30, 1916, was $69,262,133 after which net additions, less accrued depreciation, up to December 31, 1926, amounted to $13,445,600, giving an apparent total at the latter date of $82,707,723 for the property. After subtracting the debt, property valuation at the end of 1926 amounted to $403 per share for the common stock, and no doubt this equity has since been increased. These figures compare with a current market quotation of about $180 per share and a price range for the present year of from 171½ to 204¾. This is one of the few cases where the commission valuation works out to be far above the market price for a railroad stock—in this case over twice. Book value is $221.36 per share.

As a minority stock with merger possibilities which might work out to the advantage of stockholders this issue is attractive in addition to the fact that the current yield is about 4% and the market price far below intrinsic values.

Chicago, Rock Island & Pacific Railway Co.



ROCK ISLAND operates from Chicago through Des Moines and Omaha to Denver and Colorado Springs with branches to Minneapolis, Sioux Falls, Kansas City, St. Louis and various other points in the central west and southwest. A total of more than 8,000 miles of main line extends into 14 states, the major part of the mileage lying in Iowa, Kansas, Oklahoma, Arkansas and Missouri. At Dallas connection is made with a half-owned line to the Gulf. A minority interest in Rock Island, sufficient, however, to give working control, is held by the St. Louis-San Francisco, known as the "Frisco" system, bringing with it closer traffic arrangements and mutual economies and benefits and looking toward eventual merger.

Traffic is well diversified and has shown steady and substantial increases since the reorganization of the company in 1917.

Capitalization includes a total funded debt of $272,536,000, two classes of preferred stock, a 7% issue with $29,422,189 outstanding and a 6% issue of $25,127,300, both having a par value of $100 per share and both cumulative up to 5%, followed by $74,482,523 common, likewise of $100 par value. Full dividend requirements on both issues of the preferred stock have been regularly paid. On March 31, 1927, an initial dividend of $1.25 placed the common stock on a $5.00 annual basis. This rate was advanced to $6.00 a year later and a further advance to a $7.00 basis in the near future is generally expected. Earnings would easily justify the anticipated increase.

The rapid progress made by Rock Island in recent years is shown by the gain in net earnings from $4,285,000 in 1922 to $6,966,000 in 1925, $11,516,000 in 1926 and $12,564,000 in 1927. In 1927 Rock Island was one of the few major roads reporting an increase both in gross and net over 1926. During 1928 to date progress has continued and net has shown substantial gains over 1927 in spite of a slight falling off in gross in the earlier months of the year. Prospects for the full year are for new high records for both gross and net income. Reduced to a per share basis earnings available for the common stock amounted to $4.56 in 1925, $10.67 in 1926, $12.08 in 1927 and nearly $15.00 per share is indicated for the full year 1928.

A progressive management has placed the properties in excellent physical condition and has brought about a high degree of operating efficiency with continued progress to be expected in the future.

The financial position of the company is strong and the book value of each share of the common stock was $144.15 based on the balance sheet figures as of December 31, 1927.

The market price of Rock Island stock has, of course, reflected in some measure the improved condition and the in-

(Please turn to page 54)

Warner Bros. | *Loew's, Inc.* | *Fox Film Corp.* | *Paramount-Famous-Lasky*

POSITION *and* OUTLOOK *for* FOUR LEADING MOVING PICTURE COMPANIES

By H. W. KNODEL

LIKENING the motion picture industry to a huge pool of water along the course of a swiftly moving stream, with its whirlpools, swirling currents and eddies, the last few months has witnessed especially turbulent conditions therein. The stream which feeds this pool has been swollen by the abundant rains of many important and far-reaching developments so that it is only natural that the pool has become a boiling cauldron under the effect of the tremendous volume of additional water entering it. When it subsides and relative quiet again prevails therein, will a different panorama be revealed? Those launching their skiffs on the turbulent waters may rightfully feel that the old signs of guidance are inadequate for safely embarking thereon.

Talking Pictures Opening New Field to Film Industry

Unquestionably the "talking motion pictures," which is taking the film industry by storm, is one of the most important developments the amusement field has witnessed for a long time. The skepticism with which this type of picture was met at first has vanished, and now all the large film producers and theatre owners are rushing prepartions for making talking films, and installing reproducing apparatus in their theatres.

There has been much discussion as to the public desire to indulge in "sound pictures" but the best opinion by those in the industry is that the idea will sweep the country and those producers who do not go into the field will be left far behind. Naturally, there is still much room for improvements, but these will come in time. But the public has already signified its liking for this type of amusement with the huge audiences that have always attended theatres with the talking movies throughout the country.

Unlike the early development of the motion pictures, the new invention will not have to endure so many years of slow development in the days of its infancy. Millions of dollars have already been invested by the big electric companies in developing the sound film to a state of perfection, and the film producers themselves are working at a fever pitch to perfect the presentations. For sound effects and musical accompaniment, it will probably add much to the motion picture. One of the most valuable developments of the audible film will be the production of musical comedies, revues and operas.

It is quite likely that in the future two distinct types of entertainment will be evolved—the talking picture for certain types of presentations, and the silent motion pictures. To many people, one of the most enjoyable assets of the latter is silence. A picture that is partly silent and partly conversational is an anomaly. While the blend will serve a pioneering purpose at the present time in these hectic days of the talking picture's infancy, two distinct forms of screen entertainment must be developed. One important point must not be overlooked and that is the multitude of languages (some 3,424 different ones) which act as a bar in foreign countries to talking movies produced for the domestic market. The silent motion picture is easily adapted to foreign markets and will always remain the universal language.

The "talking pictures" have opened a new field for the industry. While it is generally admitted that production costs will be much higher, this will be compensated for in the longer runs for the pictures and the higher rentals. Theatre owners will benefit to a large extent as the complete programs which are now being scheduled will do away with the expensive prologues and orchestras. Rentals will be more expensive, but overhead will be reduced.

Systems in Use

Motion pictures with sound accompaniment have been shown for at least two years, but experimental research work has been conducted for more than ten years. All the large film producers, except Warner Brothers Pictures, Inc., however, withheld their decisions for more than a year, being skeptical that the experiment would meet with success with the public. During this period Warner Brothers with the courage of their conviction and with a shrewd and discerning foresight continued to carry on the experiment to its present success and have thereby outstripped their competitors in the field. Today, the whole film industry is taking the talking picture seriously.

There are only three talking movie systems so far that have been perfected, the Western Electric system of sound reproduction, of which Vitaphone and Movietone are the products, and the system developed by Radio Corporation of America, known as Photophone.

Warner Bros. Pictures, Inc., controls Vitaphone Corp. which originally owned part of the talking movie patents and which was licensed by Western Electric Co. to handle the business. Owing to the difficulty Warner found in marketing and servicing the instruments it was found advisable that all patents be turned back to Western Electric Co. with provision that Warner was to receive a royalty. Western Electric Co. manufactures the instruments, takes care of installation and service and has sole right to revenue from reproducing apparatus from theatres.

The basis of royalty payments apparently varies in certain instances, but under present arrangements Electrical Research Products Co., a subsidiary of Western Electric, receives a royalty of 8% on rentals of sound film, of which 3% is paid to Warner Bros. Pictures. Another basis is a flat payment of $500 for every sound negative, with a guarantee of a minimum of $100,000 annually. Terms apparently vary according to the volume of the product.

The difference between the Vitaphone and the Movietone is that the former is a device for synchronizing moving pictures with a phonograph record carrying the sound, while in the latter system the sound waves are registered directly on the film. The Movietone was developed by the Fox-Case Corp., jointly owned by Fox Film Corp and Fox Theatres Corp., but the actual reproduction of sound depends on Western Electric apparatus, for the use of which Fox pays royalties. It is thus seen that Vitaphone has an advantage over Movietone in that under the former system records can be made in various languages for the same film, while under the latter system a new film would have to be run for each language. On the other hand, the movietone and the Photophone systems are insured greater synchrony between sound and picture by the use of the light-film

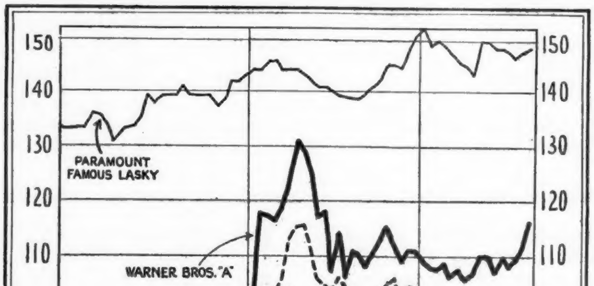
method where the sound record is on the film itself.

Benefit of income from the new apparatus will accrue chiefly to Western Electric Co., which owns basic patents behind Vitaphone and Movietone; to Warner Bros. Pictures, which receives a royalty from Western Electric, and to Radio Corp. of America, which controls and manufactures Photophone.

Spectacular Market Movement in Theatre Stocks

Aside from the industrial aspects of the "sound films" but still reflecting their recent popularity and potentialities, spectacular movements in the moving picture stocks have occurred within the last few months. Several factors have entered into this general upswing which has taken place and which has bewildered those who have not closely followed the developments going on in the industry. Popular imagination has been stirred by a realization of the possibilities of "sound films." Many, who have witnessed the rise of radio and airplane stocks on a foundation of expected and hoped for accomplishment at some future date, have endeavored to be equally long-visioned in regard to some of the movie securities. Heavy box-office receipts by theatres showing "sound films" in the larger cities have further contributed to this optimism on the implication of higher earnings.

Then, of course, there is the tendency toward corporate consolidations brought about by the big movie interests for extensive theatre facilities, a tendency accelerated by the advent of the talking picture. A lineup of new organizations is gradually evolving from the mixed situation with small companies going into larger ones. The tendency in these consolidations is decidedly toward integration to include complete facilities for producing films, distributing them, and exhibiting them in theatres all under unified control.



The three outstanding companies who have attained well-rounded organizations in this respect and which are in a well-intrenched competitive position are Paramount-Famous-Lasky Corp., Loew's, Inc., and Fox Film Corp. This last company —Fox Film Corp.—through its associated company, Fox Theatres, Inc., acquired two additional theatre circuits during July of this year, and now is contemplating the acquisition of some 150 to 200 theatres in the Greater New York area through a subsidiary to be formed, The Fox Metropolitan Corp.

Other companies with less extensive exhibiting outlets under their control, or with less adequate producing facilities, are forced to compete at a decided disadvantage. At a time when the well integrated and intrenched leaders in the industry can devote their entire effort to the exploitation of the sound movie, these other producers must in addition struggle with the problem of expansion and consolidation.

It was in this weak position that both Warner Brothers Pictures Corp. and Radio Corporation found themselves and which was the prime force behind the recent acquisitions made by these two concerns. Warner Brothers, with its tremendous initial advantage in the new field over its competitors, faced the discouraging prospect of gradually losing this advantage by not owning or controlling a large number of theatre outlets. Radio Corporation, of course, was in a position even less favorable than Warner Brothers and a defensive plan was necessary.

Recent Large Mergers

Accordingly, Warner Brothers Pictures, Inc., acquired the Stanley Company of America, controlling some 270 theatres on the Atlantic Seaboard from New York to Virginia and First National Pictures, Inc., operating nearly 3,000 motion picture houses and itself a producer of feature pictures through a subsidiary.

Radio Corporation of America found its activities severely hampered in the sound moving picture field by the fact that many of the large producers had already entered into contracts with Electrical Research Products Corp. for use of the Vitaphone and Movietone devices. As outlets for Photophone pictures, Radio Corporation had the Film Booking Office (F. B. O.) Pictures Corp., the Keith-Albee-Orpheum circuit, and Pathé Exchange, Inc., which is affiliated with the Keith-Albee-Orpheum group. Plans are being perfected for the grouping of these concerns which would give a completely integrated group representing the manufacture of the talking movie apparatus, the production of talking and silent films, and the presentation of entertainments.

The success of the talking pictures in recent months has acted as a bombshell in the industry and things have been moving rapidly ever since. As pioneers in the new development, Warner Brothers Pictures Corp., and Fox Film Corp. have the initial advantage which they are now capitalizing. The position of these two concerns to the industry somewhat resembles the position of Chevrolet and Ford earlier in the year, with the former ready to deliver the car and the latter unable to supply the demand. Insatiable is the word which may now be properly applied to the demand for talking pictures. It will take some months before the other large producers hit their stride in the output of talking pictures.

Because of the great scope of the new talking pictures, the effect on the earnings of the industry should be for substantial increases. Earnings from those talking films already produced have been sensational, and estimates on earnings for new productions are just as optimistic. It is confidently expected that attendance at motion picture theatres will increase as a result of the new development.

The chief beneficiaries of the present rosy situation are Warner Brothers Pictures Corp. and Fox Film Corp., but after the scramble is over, and the other concerns in the industry produce a normal number of talking pictures for

Earnings Record of Three Large Moving Picture Companies

		Gross Earnings	Net Income	Earned Per Share Common	Dividends	Market Range	
Fox Film Corp.	1927A	$22,847,132	$3,120,557	$6.24C	$4.00	85½	50C
	1926	20,639,364	3,124,000	6.25	4.00	85	55⅛
	1925	20,230,007	2,606,270	5.21	2.50	85	68½
	1924	16,233,329	2,009,044	4.02	5.00		
Loews, Inc.	1927B	79,597,031	6,737,205	6.35	3.00	63⅞	46⅞
	1926	62,209,579	6,388,200	6.02	3.00	48⅜	34¼
	1925	56,294,746	4,708,631	4.44	2.00	44¾	22
	1924	42,937,269	2,949,053	2.78	2.00	25	15⅛
Paramount-Famous-Lasky	1927A	Not	8,057,998	12.85D	10.00E	115⅜	92
	1926	Available	5,600,815	10.82	10.00E	127½	103⅛
	1925		5,718,054	18.39	8.00	114¾	90¼
	1924		5,421,214	20.08	8.00	98½	61

(A) Years ended December 31. (B) Years ended August 31. (C) Earnings on combined A and B stock. Market range for Class A stock. (D) Earnings figured on average number of outstanding shares of old stock before recent 3 for 1 split-up. (E) Includes 2% extra paid in stock.

their own requirements, the ultimate benefit will accrue to those companies having the best and most strategically located theatre outlets. There are some 20,000 theatres in this country showing motion pictures, but 10% or less of these houses account for about three-fourths of the revenues of the exhibiting branch of the industry. A large proportion of these key theatres are controlled or are closely affiliated with a comparatively few large companies and it will be these companies who will benefit from the new development. A concern with a strong exhibiting organization is in the fortunate situation of not only being able to provide a steady market for its own productions, but also of profitably interchanging bookings with other companies. Concerning the smaller and the poorly located theatres who already have been experiencing difficult times, the advent of talking pictures will in many cases further restrict their prosperity.

Realizing the importance of this situation, Warner Brothers Pictures Corp. through its recent acquisition of Stanley Company and First National Pictures, Inc., has rounded out its organization and strengthened itself in this respect. Fox Film Corp. and its allied concern, Fox Theatres Corp., have expanded their exhibiting facilities in the last few years until now it ranks next to Paramount-Famous-Lasky and Loew's, Inc., in the strength of its exhibiting forces and in the diversification of its business. The last two concerns mentioned have exceptionally strong exhibiting organizations. More detailed information follows on these four concerns which are the leading ones in the industry.

Paramount-Famous-Lasky Corp.

Paramount-Famous-Lasky Corp. is at present the leading company in the motion picture industry with activities covering all branches. It operates directly or indirectly nearly 400 theatres, part of which are owned, and through these strategically located key theatres is in excellent position to profit from the increased drawing power of the talking pictures. The company is now engaged in producing its own sound films, some of which have already been completed. By the spring of 1929, Paramount will be ready with a complete program of talking films.

Paramount does not report gross revenues, but net revenues show that the company in 1927 entered a new era of larger earnings when net of $8,057,998 was reported against $5,600,815 in the preceding year.

Net profit for the first six months in 1928 was $3,873,627 against $3,532,325 in the corresponding period last year. On this basis the total net for 1928 will be about $9,000,000 or about $4.50 a share on the new common, as against $4.28 last year computed on basis of the present stock. There are 2,063,517 shares of stock outstanding following the recent three-for-one split-up. The dividend on the old stock was at the rate of $8 in cash equivalent to $2.66 a share on the new stock, but these may be placed on a $3 annual basis. At its present price of about $50 per share Paramount is selling for approximately 11 times earnings.

Paramount has made large investments in theatre properties in recent years, increasing its investment in these from $28,850,000 to $81,287,000 in the 18 months ended July, 1927, largely from funds obtained by sale of new common stock over this period. Benefit of this new money has not yet been fully reflected in earnings. The new properties will increase profits by direct income from theatre admissions, and, secondly, by larger film rentals from additional houses added. *The stock is among the most attractive of the group.*

Loew's Inc.

From the viewpoint of net earnings, this company is the second largest in the motion picture industry. This company is practically the sole owner of about 50 companies with widely diversified interests in the motion picture and vaudeville theatres, the production and distribution of motion pictures, and in rentable real estate. Metro-Goldwyn Pictures Corp,, one of the largest and most successful producers in the industry, is one of the concerns so owned, and contributes heavily to the parent company's earnings.

About 115 vaudeville and motion picture theatres are owned, leased, or otherwise controlled, and these place the company in a strong situation in regard to strategically located outlets. These make not only for steady and increasing earning power but the appreciation in land values enhances asset value. Conservative policies and managerial skill in arranging new locations have resulted in building up cash position around $15,000,000 which permits expansion from earnings alone, and warrants attached to the $13,750,000 6% debentures and the 150,000 shares of $6.50 no-par preferred, calling for purchase of additional common stock within the next few years, would provide around $12,500,000 additional cash during the next several years which could also be used for expansion purposes.

During the course of expansion, the management has ploughed back generous sums into property, using only a small portion for dividends. The present $2 rate has been paid for several years, increased in the last two years by extras of $1 each, followed by a 25% stock dividend paid last June. Depreciation policy plus appreciation in land values has resulted in carrying valuable properties at only a small portion of current value, while new de luxe theatres built earlier this year and now being built may add materially to future earnings. With this situation, it is only natural to expect larger distributions to stockholders from now on, though in the light of past conservatism of the management with regard to dividends, extravagant expectations certainly would not be in order.

Net earnings this year are running ahead of last year. For the 40 weeks ended June 3, 1928, net was reported at $6,377,101 against $5,404,899 for the same period the year previous, and for the fiscal year ended August 31, 1928, net was probably in excess of $7,500,000, equivalent to over $5.60 per share on the present outstanding 1,333,725 shares of no par common stock. At the present price of about $60 a share, stock is selling for approximately 11 times earnings. *Taking into consideration the recent 25% stock dividend, the present price is near the high for the year, but the stock nevertheless possesses promising long pull possibilities.*

Fox Film Corporation

Fox Film Corp. represents a well-rounded and well-established unit in the motion picture industry. For the last few years the company has followed a policy of rapid expansion, not only developing its producing facilities, but extending its own exhibiting outlets. This year the corporation has acquired Wesco Corporation, which owns West Coast Theatres, the largest chain of theatres on the Pacific Coast. The perfection of the Movietone has given Fox Film Corp. an early start in the production of talking pictures on which it

(*Please turn to page 70*)

Preferred Stock Guide

NOTE: The following list of preferred stocks has been arranged solely on the basis of current yields. The position of any stock in the Guide is not intended as an indication of its relative investment merit. Readers should observe a proper diversification of commitments in making their selections from this list.

Railroads

	Div. Rate $ per Share	Earned $ per Share 1925	Earned $ per Share 1926	Earned $ per Share 1927	Redeemable	Recent Price	Yield %
Norfolk & Western..........	4 (N)	115.54	160.35	133.40	No	87	4.6
Atchison, Top. & St. Fe......	5 (N)	37.17	48.83	40.47	No	104	4.8
Union Pacific	4 (N)	38.41	41.17	39.35	No	83	4.8
Southern Railway	5 (N)	37.63	39.33	36.17	100	100	5.0
Baltimore & Ohio...........	4 (N)	35.33	48.41	38.44	No	79	5.1
Pere Marquette Prior	5 (C)	57.50	68.77	64.08	100	98	5.1
Wabash "A"	5 (N)	11.48	11.86	6.87	110	94	5.4
Colorado & Southern 1st......	4 (N)	43.18	52.56	57.76	No	74	5.4
Colorado & Southern 2nd.....	4 (N)	39.13	48.50	53.76	No	73	5.5
St. Louis Southwestern.......	5 (N)	11.96	12.09	9.30	No	89	5.6
N. Y., Chicago & St. Louis...	6 (C)	24.91	24.65	20.31	110	108	5.6
Kansas City Southern.........	4 (N)	10.06	10.86	9.04	No	70	5.7
Chic., Rock Is. & Pac. 2nd...	6 (†)	12.23	20.57	22.49	102	101	5.9
St. Louis, San Francisco.....	6 (N)	102.65	108.19	107.70	100	97	6.2
N. Y., New Haven & Hart...	7 (C)	....	....	22.05	115	112	6.3

Public Utilities

	Div. Rate $ per Share	Earned $ per Share 1925	Earned $ per Share 1926	Earned $ per Share 1927	Redeemable	Recent Price	Yield %
Public Service of New Jersey	8 (C)	§19.66	§21.46	§16.28	No	145	5.5
Columbia Gas & Electric.....	6 (C)	....	27.81	25.42	110	106	5.7
North American Co...........	3 (C)	21.91	28.95	31.73	55	53	5.7
Philadelphia Co.	3 (C)	23.53	24.20	28.28	No	53	5.7
Hudson & Man. R. R. Conv..	5 (N)	34.12	40.32	40.70	No	85	5.9
Federal Light & Traction.....	6 (C)	33.02	41.51	39.67	110	100	6.0
Amer. Water Works & El....	6 (C)	....	22.63	24.30	110	100	6.0
Standard Gas & Electric.....	4 (C)	14.00	20.00	16.20	No	66	6.1
West Penn Electric...........	7 (C)	16.15	20.81	23.10	115	111	6.3
Electric Power & Light......	7 (C)	9.72	13.83	16.21	110	107	6.5
Continental Gas & Elec. Prior	7 (C)	22.26	26.23	32.71	110	106	6.6
Amer. & Foreign Pow. 2nd...	7 (C)	11.40	8.89	3.58	105	96	7.3

Industrials

	Div. Rate $ per Share	Earned $ per Share 1925	Earned $ per Share 1926	Earned $ per Share 1927	Redeemable	Recent Price	Yield %
International Harvester	7 (C)	32.11	36.74	35.71	No	142	5.0
American Smelting & Ref....	7 (C)	30.88	35.52	30.96	No	137	5.1
McCrory Stores	6 (C)	45.97	47.82	52.42	110	115	5.2
Pillsbury Flour Mills.........	6½ (C)	....	*20.19	*44.90	110	116	5.5
Case (J. I.) Thresh Mach....	7 (C)	21.49	29.39	38.43	No	125	5.6
Studebaker Corp.	7 (C)	208.13	173.89	160.79	125	125	5.6
General Motors	7 (C)	101.78	167.17	182.15	125	125	5.6
Endicott Johnson	7 (C)	44.57	34.77	48.10	125	124	5.6
Mathieson Alkali Works......	7 (C)	58.60	67.86	74.06	No	124	5.6
Deere & Co.	7 (C)	13.68	23.22	25.74	No	125	5.6
U. S. Cast Iron Pipe.........	7 (C)	45.84	42.08	28.12	No	122	5.7
International Silver	7 (C)	16.08	24.39	30.82	No	120	5.8
Bethlehem Steel Corp.........	7 (C)	26.64	20.84	16.32	No	120	5.8
U. S. Industrial Alcohol......	7 (C)	33.98	16.27	30.03	125	119	5.9
Associated Dry Goods 1st.....	6 (C)	29.92	27.67	24.10	No	102	5.9
Baldwin Locomotive	7 (C)	0.98	29.42	12.21	125	117	5.9
Brown Shoe	7 (C)	45.23	29.69	44.12	120	118	5.9
American Cyanamid	6 (C)	*20.53	*29.53	*24.24	120	99	6.1
Bush Terminal Buildings.....	7 (C)	‡	‡	‡	120	114	6.1
Radio Corporation	3.5 (C)	10.31	13.86	20.02	55	56	6.2
Mid-Continent Petroleum	7 (C)	106.48	133.61	52.40	120	113	6.2
Devoe & Raynolds 1st........	7 (C)	37.29	49.70	53.23	115	112	6.3
Loew's, Inc.	6½ (C)	....	....	....	105	102	6.3
Goodrich (B. F.) Co..........	7 (C)	51.57	13.96	39.19	125	111	6.4
Central Alloy Steel...........	7 (C)	....	35.11	27.26	110	110	6.4
General American Tank Car..	7 (C)	24.09	27.95	37.68	110	110	6.4
Bush Terminal Debentures....	7 (C)	16.01	16.81	18.88	115	108	6.5
Victor Talking Machine......	7 (C)	nil	38.44	35.00	115	107	6.5
U. S. Smelting, Ref. Mng....	3.5 (C)	5.97	6.25	6.28	No	53	6.6
Goodyear Tire & Rubber......	7 (C)	....	11.83	18.80	110	100	7.0
International Paper	7 (C)	12.58	11.31	7.42	115	98	7.2

C—Cumulative. N—Non-cumulative. † Cumulative up to 5%. § Earned on all pfd. stocks. * Years ended June 30. ‡ Guaranteed unconditionally by Bush Terminal Co.

NEW MEXICO COMES *to the* FORE *as a* PETROLEUM PRODUCER

By N. O. FANNING

NOW that west Texas had been established as one of the greatest crude oil producing regions of the world, the next logical step in the extension of production is into southeastern New Mexico, the borders of which at this point form a right angle cutting directly into the west Texas district.

The State of New Mexico has a total area of approximately 78,000,000 acres, of which roughly one-third, or 26,000,000 acres, is regarded as possible oil-producing territory. West Texas comprises an area of about 35,000,000 acres, while the entire State of Oklahoma contains about 44,000,000 acres.

Despite the large area of New Mexico, only about 75 wells are drilling in the whole State at present, as against about 250 in west Texas and 770 in Oklahoma. It is estimated that in a general way only 3% or 4% of the whole possible producing area of New Mexico is under development.

Oil development in New Mexico is following two different lines, one beginning in the extreme northwest portion and extending south, the other beginning at the extreme southeast corner and extending north.

In the northwest the elevation is generally above 5,000 feet, and the geology is somewhat similar to that of Colorado and Wyoming. In the southeastern part of the state, the elevation is between 3,000 and 4,000 feet and the geology is similar to that of west Texas in which, as is well known, prolific oil fields occur. The northwest and southeast portions of the State are divided by the southern ranges of the Rocky Mountains.

ADJACENT to the great petroleum producing fields of West Texas, and Oklahoma, the State of New Mexico presents startling potentialities as a future source of oil and gas. With no more than 4% of possible producing area exploited thus far it holds promise of increasing activity and importance.

Southeastern New Mexico

Most of the development now under way in Lea and Eddy Counties, southeastern New Mexico, (see map), is based on the theory that the Permian basin, from which practically all of the west Texas production is supposed to be coming, extends across the border into New Mexico from Winkler County, Texas. In Winkler County, about 30 miles south of the border, the Hendricks field is located. This is supposed to be one of the most prolific fields in west Texas, although due to pro-ration, a fair test over a long period has never been made.

In an effort to uncover a new field of the type of Hendricks, leading operators have been carrying on development in Lea County, New Mexico, for about a year. Due to the depths to which wells have gone, most of the completions have occurred within the last four or five months, although one or two were longer ago than that.

Important Producers

One of the first favorable completions drilled on the prevailing theory was the No. 1 Rhoades, of the Texas Co., which came in during November, 1927, with an estimated producton of 20 barrels of oil and 40,000,000 cubic feet of gas a day at a depth of 3,160 feet. Other important wells completed since then include Gulf Oil Corp.'s No. 1 Ramsey, producing a small amount of oil and 10,000,000 cubic feet of gas daily, from 3,244 feet; Empire Gas & Fuel Co.'s No. 1 State, estimated good for 150 barrels of oil and a small amount of gas at 3,834 feet, and Marland Oil Co.'s No. 1 Eaves, producing some oil and 50,000,000 cubic feet of gas. One of the most recent and important strikes in Lea Country is that of the Midwest Refining Co. in its No. 1 State, which is estimated flowing at the rate of 500 barrels of oil daily and a small quantity of gas at 4,203 feet. The latter well is almost on the New Mexico-Texas border, about forty miles north of the Hendricks pool.

In Eddy County, adjoining Lea to the west, one of the most important recent completions is Getty Oil Co.'s No. 3 Rawson, flowing 400 barrels daily from only 1,396 feet.

The Artesia pool, located in the north central portion of Eddy County, about 20 miles north of the Getty well, is one of the oldest pools in New Mexico, and was discovered before any intensive development had occurred in west Texas. The pool is somewhat apart from present development. It is producing about 1,000 barrels of oil daily from a large number of small wells. The field is controlled by the Continental Oil Co., which has a refinery at the town of Artesia, and the necessary pipe line connections.

Development in Lea County appears to bear a close similarity with that in the Hendricks pool. Wells range from 3,200 to 4,200 feet in depth and the surface elevation above sea level ranges from 3,500 to 4,000 feet. In the Hendricks pool wells run around 3,000 feet in depth and the surface elevation is about 3,500 feet. It is believed, therefore, that the wells in Lea County are tapping the same producing horizon as those in the Hendricks field, from which 10,000 to 45,000-barrel wells are obtained.

Drilling operations in southeastern New Mexico tend northward from Lea and Eddy Counties. Some work is being done in the extreme northeastern portion of the State, on a line westward from the Panhandle field of Texas.

Large Interests

The Marland Oil Co. is believed to be one of the largest holders of oil leases in southeastern New Mexico, being credited with approximately 400,000 acres. The company is also the most active operator, having completed one of the most promising wells to date and having at the present time approximately ten wells in process of drilling. The Standard Oil Co. of California has acquired a one-fourth interest in the Marland acreage.

Other large holders of acreage include, besides those whose wells have been listed, Humble Oil & Refining Co., Ohio Oil Co., Texas Pacific Coal & Oil Co. and Skelly Oil. Naturally, it would be impossible to name all the

large holders of acreage in the state.

The transportation problem for oil produced in southeastern New Mexico would be comparatively simple. In the event of large production it would only be necessary to extend existing pipe lines thirty to fifty miles northward from the Hendricks pool, and a direct connection with Texas Gulf Coast terminals would be had.

Northwestern New Mexico

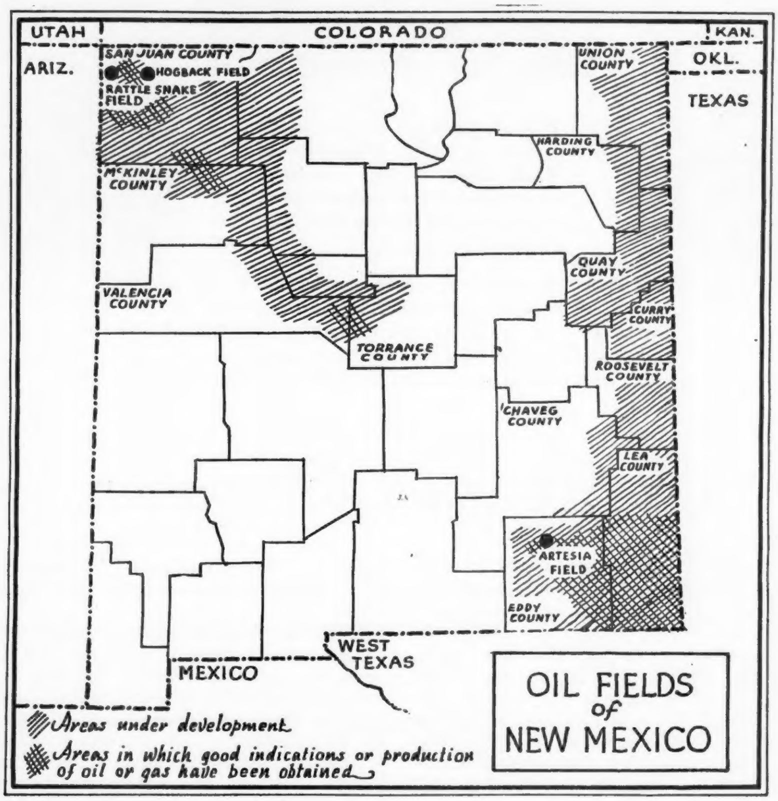
The situation and outlook in northwestern New Mexico is radically different from that which has just been described. Development here represents more an extension from the Salt Creek field of Wyoming, and the Florence field of Colorado, southward. Southeastern New Mexico is essentially a prairie country, while the northwestern part of the State is typically mountainous, with a surface elevation of over 5,000 feet.

The production of oil that has been obtained in San Juan County, the extreme northwestern country is of the highest grade produced, ranging from 60 to over 70 gravity. The wells are mostly small, but production is obtained from sands from 700 to 1,000 feet below the surface, and operation of these wells is reported to be highly profitable. The main stimulus to development in northwestern New Mexico is not gusher production so much as high grade oil production from wells which produce from shallow depths and maintain their output over a long period of time.

The Rattlesnake field, in northwestern San Juan County, is actually producing about 400 barrels a day, but has a potential yield of 4,000 to 5,000 barrels a day. The field is owned jointly by the Continental Oil Co. and Santa Fe Corp. The Continental also controls the Table Mesa field, nearby, which is producing on a restricted basis about 200 barrels a day. The Midwest Refining Co. controls the Hogback pool, which produces 500 barrels a day. All three fields are connected by pipe line with the refinery of the Continental Oil Co. at Farmington, in San Juan, County and with the Atchison railroad at Gallup, ninety-five miles South.

The Continental Oil Co. has been one of the most active operators in northwestern New Mexico. The Midwest Refining Co. has also been an important factor in its development. These and other companies have been engaged for some time in an effort to extend production south and southeast of the Rattlesnake, Table Mesa and Hogback fields, as far as McKinley County. Considerable drilling has also been done in Valencia and Torrance Counties.

The possibilities for oil production in northwestern New Mexico are largely in the Cretaceous formations, an entirely different geologic age than the formations in southeastern New Mexico. In many wells which have been drilled attempt has been made to reach the Dakota sand, which is estimated to be 4,000 feet or more below the surface at this point. This is one of the important producing sands of the famous Salt Creek field of Wyoming.



A False Alarm

About two years ago considerable excitement was caused by a well brought in by the Midwest Refining Co. in McKinley County. It was rated originally at 200 barrels daily from 1,600 feet, but on further test was found not to be a commercial producer. As a result of the showing made, however, twenty or more wells were drilled by various operators. Many of them had encouraging showings but the majority found water in the sands where oil was expected. Several were made deep tests without result. Drilling in the field has now dwindled to one or two operations at the present time.

The Midwest Refining Co. recently started a new test on a structure in southern San Juan County, near the McKinley County line. Two interesting showings were reported at 700 and 880 feet. The well is now drilling at about 2,000 feet. Other operators have started two additional tests in the district.

Thus, while actual results so far in northwestern New Mexico, aside from the extreme northwestern corner of San Juan County, have been disappointing, operators have been encouraged by favorable showings of high grade oil in many tests in San Juan, McKinley and Valencia Counties. This part of the State has not attracted operators looking for large flush production.

Among the large lease holders in northwestern New Mexico are Continental Oil Co., Midwest Refining Co., Producers & Refiners and Ohio Oil. The largest land holding is believed to be that of the New Mexico and Arizona Land Co., consisting of 385,000 acres in Valencia County, 106,000 in McKinley County and 17,000 in San Juan County. The company is 50% owned by the St. Louis and San Francisco Railway. The Atchison Topeka & Santa Fe Railway is also understood to have large land holdings in McKinley County. Two wells are drilling on the Valencia tract of New Mexico and Arizona company.

One fact attracts the practical oil man who studies the development throughout the State of New Mexico. Most of the work so far has been based on thorough geologic study. Little wildcatting of the haphazard variety has been done. While this has probably placed development on a more conservative and less spectacular basis, it is believed that less money will have to be spent in putting the State on a major producing basis.

New Mexico, as a whole, but especially the northwestern part, is more remote from areas of heavy oil consumption than Oklahoma and Texas. With the two latter States producing at a record rate, it is natural that the development of New Mexico should have been rather slow. However, it is believed that once the production situation in the oil industry as a whole has righted itself, activity in New Mexico will show a very substantial increase.

Building Your Future Income

TO-DAY—The Young Executive

TO-MORROW—The Business Leader.

This department is the contribution of The Magazine of Wall Street to the financial education of the nation's present and future investors and business executives.

Through this medium we extend to our subscribers an opportunity to assist us in spreading the doctrine of safe and sound investment by using these pages as a practical guide to financial success in their own homes and offices.

A Personal Obligation

EVERYONE who is an investor, or even a potential investor, is materially concerned in the policies of government, national, state and local. A change in the laws affecting immigration for example, has a direct bearing on the labor market, which in turn is a factor in the cost of operation or production in various industries. In like manner, tariff legislation or trade regulation, merger restrictions or tax revisions, whether individual or corporate, are forces affecting business as a whole and find even more definite reflection of either a favorable or an unfavorable nature in the affairs of individual companies, in which the investor, by virtue of his security holdings, is a partner.

Whole industries may be brought into being as a result of legislation, and, by the same token, others may be doomed to extinction. Competition in home markets, or for the broader trade of the world, may be fostered or alleviated through trade restrictions, a foreign policy or regulatory acts controlling production. Consider the effect on railroad securities if the most liberal policy was adopted in regard to consolidations; or in the opposite case, if an arbitrary stand against them was taken. Imagine the changes which might be wrought by a higher or lower import duty on raw sugar.

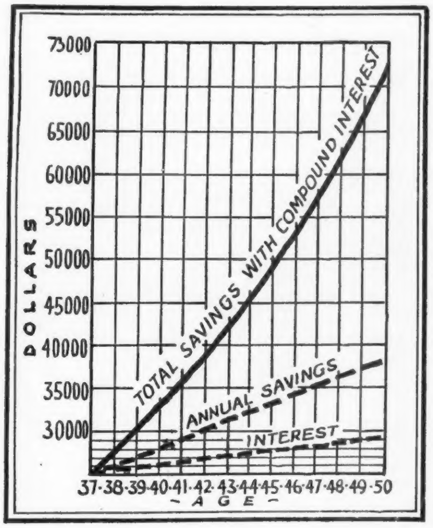
Even the investor whose holdings are no more extensive than ownership of his home or a few building and loan shares is involved in the policy of governing bodies. In state or local government there is the matter of taxation, which is a direct reflection of the expenditures made by these bodies, or the efficiency and economy with which they transact public business. Zoning of towns, cities and villages to provide for future growth and expansion, with suitable definition of residential, commercial and industrial territory is becoming the order of the day. It is a sound procedure if ably done, but connotes some radical revisions of realty values and mortgage prospects.

Political platforms to the contrary, the course pursued and the results achieved by any government, national or local, largely devolves upon the men we elect to office.

Hence, anyone engaged in building a future income, has something personally at stake in the forthcoming election. It becomes a matter of safeguarding interests, as well as a civic obligation, to vote.

"Intelligent Use of Present Income Will Assure Financial Independence."

The Story of a Successful Investor



How an Adverse Beginning Served as a Basis for a Sound Policy

By JOSEPH CONRAD BECHTOLD

SOME years ago when I first began to work, fortune decreed that I work with a man considerably older than myself. We were the inside force, or the shipping and receiving clerks for a small wholesale carpet jobber in the then middle west. Our work was of such a nature that we had ample time daily to rest and chat. During these spare moments my boss would relate to me how much money he would have made if he had bought twenty-five or fifty shares of this or that standard stock, a year or even six months earlier. Daily he watched the market reports and always claimed to be able to forecast what the proper stocks were to buy to make a profit. However, when he died some time later, he left only a small mortgaged cottage to his wife and family.

Those were the days when just the thought of Financial Independence at the age of fifty, fired my young enthusiasm. It was also the time I awakened to the fact that more than pencil, paper and talk was necessary to become financially independent. Though young, I decided that my boss did not possess the most essential element to success, which was—action. If my co-worker had put his calculations into effect he probably would not have died with the mortgage on his little cottage.

A False Start

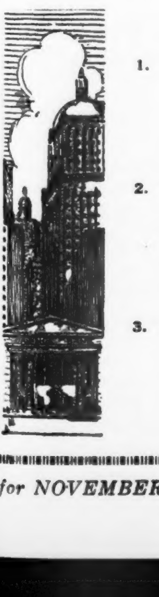
Like many others, who, I presume, are unschooled in the necessary knowledge of saving money, I began to invest my few hard earned dollars in oil stocks, miscellaneous low-priced industrials and stocks of a highly speculative nature, which unquestionably proved to be tooth-cutting experience in the field of investment. Extravagant statements as to enormous dividends soon began to pan out less favorably and gradually I saw my so-called investments dwindle and disappear; the shock of which temporarily placed my head in the ethereal atmosphere.

Everything that goes up must come down, and my case unquestionably also came under the category of Sir Isaac Newton's theory, for I came down with a terrific thud, that indubitably awoke me to new consciousness regarding money matters. Full of ambition and with determination I began my saving and economizing anew and resolved to

(Please turn to page 76)

BYFI'S INVESTMENT SUGGESTIONS

THIS Revised BYFI Recommendation Table is intended primarily to serve as a constant guide to inexperienced investors through the early stages of their income building program. On the left is outlined the advantages and disadvantages of each of the three principal mediums for accumulating investment principal through regular savings. On the right is presented a progressive tabulation of investment securities suitable for the employment of sums accumulated through savings. These issues, if purchased in the order listed, are intented for a permanent investment, and, as such, will ultimately provide a sound backlog of income producing securities, affording safety of principal, fair return, and offering the protection of diversity.



Accumulating Savings

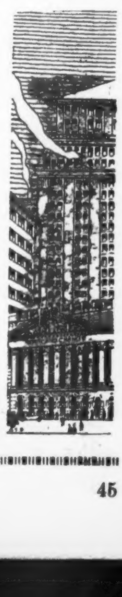
1. **SAVINGS BANKS.** A convenient depository for the accumulation of regular or intermittent savings at compound interest. Funds always available and may be withdrawn as soon as they reach suitable proportions for employment in more profitable medium.

2. **SHARES OF WELL MANAGED BUILDING AND LOAN ASSOCIATIONS** may themselves be classed as investments but also serve as convenient, long range (10 to 12 years) mediums for the accumulation of savings. Through regular monthly payments this form of savings also possesses the element of gentle compulsion.

3. **ENDOWMENT INSURANCE** is recommended as a means of securing insurance protection at the same time accumulating funds to be available at some future date. Also possesses merit of regularity in saving but in view of small return, should not occupy too large a place in the accumulating program.

First Investments

Security	Recent Price	Yield %
1. Illinois Central 40-year 4¾s, 1966	100	4.7
2. Public Service Elec. & Gas 1st & Ref. 5s, 1965	105	4.7
3. Standard Oil of N. Y. deb. 4½s 1951	96	4.7
4. Western Pacific 1st 5s, 1946	99	5.1
5. Youngstown Sheet & Tube 1st S.F. "A" 5s 1978	100¾	5.0
6. New York Steam 1st "A" 6s, 1947	108½	5.3
7. Chesapeake Corp. Conv. Coll. 5s, 1947	99	5.1
8. Associated Dry Goods 1st 6% Pfd.	102	5.9
9. Hudson & Manhattan Conv. 5% Pfd.	85	6.1
10. Southern Pacific common $6	122	4.9



Weak Points in the Renter's Arguments

A Home Owner Takes Issue with "The Case for the Renter"

By JAMES B. MORMAN

AGAIN the question arises: Shall we pay rent or own a home? In the BYFI section of THE MAGAZINE OF WALL STREET, issue of October 6, 1928, Mr. Hadley McConnel expresses his ardent views as a renter. He advances three arguments in favor of renting: (1) The kind of business in which one is engaged may determine whether one should rent or own a home; (2) that declining rents tend to benefit the renter; and (3) that some renters can invest their capital more profitably than in the purchase of a home.

On these points Mr. McConnell does not stand alone. Similar arguments have been advanced before by Mr. Arthur Millard and by other renters. I feel, however, that the arguments in support of renting as against owning a home can be satisfactorily answered. And in this conclusion I do not stand alone either. For, on page 1036 of THE MAGAZINE OF WALL STREET of October 8, 1927, Mr. C. L. Cleaver expresses his firm conviction that there are weak points in the renter's arguments, but that he does not feel competent to refute them. Nevertheless, he would like to have these arguments answered, for he says:

"No doubt some of your BYFI readers who are mathematically inclined will submit a financial case that will result in a verdict in favor of Mr. Home Owner."

I believe, however, that there are more than financial errors in a renter's arguments. With a view of finding and pointing out those errors to the readers of the BYFI Department, I have carefully studied what renters have to say in justification of their practice of renting a home even when the possibility of buying a home is open to them. The sources of information are articles in THE MAGAZINE OF WALL STREET, so that their importance cannot be questioned while their authenticity can readily be ascertained by adherents to either side of the home owning or home renting problem.

There are thousands of families, particularly in large cities, who will never be other than renters for financial reasons alone. The actual income of those families necessitates their living in very restricted quarters, with little or no prospects of improvement. The total number of such families make a mighty host in the largest cities of the United States. They belong to that class which lives close to the margin of a bare subsistence which includes not only the type of shelter, but the amount and character of the other necessaries of life—food, clothing and fuel. A slight improvement in rented "home" conditions is the highest dwelling accommodations for which they can live in hope, while owning a home would seem to them a financial dream practically impossible of realization. Any arguments for or against renting or owning a home as understood by the readers of BYFI are not intended for families so situated.

The Error of Greater Economy

But there are hundreds of other families who could, by becoming commuters, live in the suburbs of the largest cities, or who now live in smaller cities or in towns, that continue to rent apartments or a house rather than buy a home of their own. Possibly many of them have not given much thought to this subject, or have been inclined to think that renting is more economical than owning a home, and it is to this class my remarks are particularly addressed.

As a matter of fact the most common contention of renters is that interest on the investment, taxes, insurance, upkeep and other incidental expenses involved in owning a home make a larger drain on income than the mere payment of rent. Sometimes this contention is openly stated while at other times it is simply assumed. My answer is a great big question mark. It has not proven so in my experience, and I have rented two homes and owned two homes. We occupied our first owned home for twenty years at an average saving as compared with rent-

ing of approximately $60 a year, or a net gain with interest of $1,780. But when we had attained a modest financial independence and prepared to remove to another state, this home was sold for $3,400 more than it cost us twenty years before. The total gain, therefore, was $5,180.

Our present home has now been owned for more than three years and actual records of expenditures show a saving over renting of at least $100 a year. While this does not seem a large sum, it is substantial enough to prove that the belief or contention of renters that it is cheaper to pay rent than to own a home is not borne out in our case. Our present home is shown in the accompanying photo.

Another strong argument against renters is derived from the experience of those who own apartment buildings and houses for renting to others. These landlords fix the amount of rents on the basis of an income of not less than 6% a year. This income to a landlord is net of all anticipated annual charges against a rented apartment or dwelling house and necessarily includes, therefore, taxes, insurance and maintenance costs attached to keeping the rented property in good condition. So far as these outlays are concerned, a party who rents is no better off than one who owns a home. They are all necessary elements in the cost of shelter. But if a landlord gets an income of more than 6%, the excess that a renter thereby pays is the financial difference that he would save if he owned the home instead of renting it. Landlords are not in that kind of business to help anyone except themselves, and a tenant is simply deceiving himself if he thinks he is paying less for the cost of shelter because he does not itemize the fixed charges which his monthly "rent" generally includes.

Of course it must be conceded that there are exceptions to every rule even in the matter of paying rent for home purposes. There have been times when the removal of business interests from a city or town, or the shift of population of a less desirable character, may depreciate the rent of apartments and dwelling houses below a 6% net income, in which case the cost of shelter on a rented home may be less than on a home that is owned. But these are very exceptional cases in the history of communities.

The rule is that property values increase under the normal development of residential areas and owners generally reap an increased return from the unearned increment. A renter never has this prospect in view. When all things are considered, therefore, it is a gratuitous assumption to affirm that it is more economical to pay rent than to own a home.

Present home of the author

An Invalid Comparison

In favoring renting vs. owning a home, some writers make the mistake of comparing the rent paid on a less valuable residence than is contemplated in case of buying a home. One instance of this kind of comparison appears on page 405, issue of July 2, 1927, where this statement is made concerning two young people who had started out on the road of home making:

"Owning a home, they say, is like owning a security—it must be good and it must be marketable. Such a home in their city would cost $10,000 at the least if they built it themselves—more if bought ready-built. Interest on this amount with heat, fuel, repairs, taxes, depreciation, etc., would be more than the $840 a year rent they pay with everything but lights and furniture included. So the home must wait."

This is not a comparison as to whether or not it would be cheaper for this young couple to rent or to own the house they were occupying, but whether or not they had saved enough to finance the kind of home they really wanted.

When critically examined, the paragraph quoted is not an argument in favor of renting at all. The plain implication is that sooner or later they intend to become owners; but, until they can build a $10,000 house, "the home must wait." This view is also borne out in a subsequent paragraph wherein it is stated that "they have a $500 equity in a residence lot which is worth more than the purchase price."

This young couple, then, were not only buying a residential lot from savings, but it had already enhanced in value so that they were reaping the reward of the unearned increment. They were renters for the time being merely because they did not see their way clear to finance the kind of home that suited their tastes and prospective future income. Their goal was clearly home owning and they offer not the slightest argument in favor of renting.

Another comparison totally invalid as to its bearing on the home-owning and home-renting problem is that made by Mr. Arthur Millard in the issue of October 8, 1927. After relating an instance of depreciation in the value of rented homes, in one of which he resided, because of a certain shift in population, he goes on to say:

"Assume, however, that the investment in a home would remain unimpaired and pay the 8% that real-estate owners hope to get out of a well-placed investment, would I have been better off by directing funds into such an investment than into paying rent? From my own experience that question can be best answered by stating how I used the few thousand dollars that otherwise would have gone into a home investment."

A close scrutiny of that statement, however, shows that it is not a comparison at all of renting vs. owning a home, but it is merely a question whether the writer would have been better off had he invested money in a home rather than in some other securities in which he did invest. That is not in point to the question. Money paid as rent is an expenditure for shelter and not an investment. Rent money never has any investment possibilities so far as he who pays it is concerned. After the termination of his two-year lease, Mr. Millard did not have one cent of his rent money to invest. The money he did invest was derived from his income and not from rent. The latter went into the hands of his landlord. That is always the case, and no renter ever again sees a dollar of it for home investment purposes. The comparison quoted above, therefore, does not come within the scope of the problem of renting vs. owning a home.

The Error of Misunderstanding

The arguments set forth in Mr. Millard's article in defense of renting are based on the following propositions: (1)

(*Please turn to page* 85)

Shall Life Insurance Proceeds Be Made Payable to Estate or a Named Beneficiary?

Other Interesting Life Insurance Queries Answered

By FLORENCE PROVOST CLARENDON

Insurance Editor:

I should be glad to have you give me information on the following insurance problem.

A young man 32 years old, married, has two boys 3 and 7. His income is about $12,000 per year. Estimated worth $200,000, of which $25,000 is invested in real estate and the balance in bank stocks. At present carries $40,000 insurance of which the beneficiary is one son to the extent of $5,000, and the estate is the beneficiary of the balance. All but $5,000 of the insurance is on the 20 limited payment plan. Yearly living expenses (about) $6,000. Besides the wife and two sons, he has a sister whom he should like to provide for in a limited way. No other dependents.

How much insurance should he carry? and what kind of insurance should he have. Is the insurance now carried, on the right plan. Premiums at present about $1,300 annually.

G. E.

YOU are carrying your life insurance on a good plan—20 Payment—and I assume with first grade institutions. You realize, of course, that the proceeds of your policies represent immediate *cash* in the estate when claim is made by death of the insured. They provide funds to meet the usual sickness and funeral expenses of the insured, and give an income to the family during the period of readjustment following the death of the breadwinner. You are therefore wise in building up your life insurance, giving an income to the family during the settlement of the rest of the estate. Moreover, it prevents any possible loss from forced liquidation of your real estate holdings and other investments which frequently occurs when securities in an estate must be quickly disposed of.

The greater part of your life insurance is payable to "Estate." Life insurance to the extent of $40,000 is free from inheritance tax when payable to a *named* beneficiary, and it is probable that with a broadening of the laws in the near future a much greater amount will be free from taxation. However, when made payable to "Estate" the proceeds of a life insurance policy are subject to tax. Furthermore, these proceeds must be administered by an adminstrator or executor, necessitating delay and inconvenience in supplying funds for family needs meantime. We would suggest that you name your specific beneficiary in the policies for these reasons.

You will better vizualize the amount of life insurance you need by viewing it in the light of *income* it will yield to the beneficiary. You should leave a policy of $5,000—possibly $10,000—payable in a lump sum to meet the expenses incident to the period when a claim is made by death. The remainder of the insurance which is payable to your wife could with advantage be left as *income*, either for a term of years or, preferably, for life. This will definitely guarantee a regular income payable at stated intervals, quite aside from the revenue from the other estate holdings.

Life insurance made payable to your sons could with propriety be paid to them as income for a term of years, or paid in a lump sum at such age as you consider advisable — say, age 21, 25, or 28.

For the sister a life insurance policy with proceeds paid in instalments for life would also be appropriate.

At age 32 a young man could advantageously consider the 30 payment life plan, under which premiums would be payable during those years when his income would normally be ascending to its peak, while these obligations would cease at age 62 when he would probably still be active in business but would prefer to cease paying life insurance premiums.

I observe in reading over this letter that I have assumed that your inquiry concerns your own life insurance matters. However, if this is not the case, the information meets the circumstances outlined in your inquiry.

Responsibility of Canadian Insurance Company

Insurance Editor:

As one of your readers, I should like to ask a favor.

One of my prospects has raised the question as to the "responsibility of a Canadian Life insurance company in connection with the United States policyholders, in case of war or any other differences between the two countries."

He is very well pleased with the Canadian Co. in particular question in every way but would appreciate the opinion of some authority outside of the insurance field. It is possible that this man may write to you in this regard. Would you be so kind as to give me a letter voicing your opinion of this matter, and if he should write to you, would you also give your opinion to him. I am enclosing a stamped addressed envelope for your reply.

Sincerely,

C. A. A.

The possibility of a war occurring between the United States and Canada seems to us so remote it is almost needless to dwell on the subject. But in the interest of satisfying your client, if we assume that such conditions might obtain, the United States policyholders of Canadian companies would have no cause for anxiety regarding their insurance proceeds.

Under the laws, Canadian life insurance companies operating in this country must maintain special reserves in the United States for their policies issued to clients here. These reserves are sufficient to safeguard policyholders' interests not only in normal times, but in event of such unforeseen contingencies arising as mentioned by your client.

We might add that in the case of the particular company you mention it not only meets the specified requirements in the matter of reserves, but the company has in addition a very large amount of assets in the United States.

We have not received an inquiry from your client, but if he writes we shall be very happy to advise him regarding the question he has raised.

Providing for Settlement

Insurance Editor:

Thank you for your recent letter giving particulars and advice on my insurance problem.

Everything seems clear now except the matter of final payment. If I live the full 25 years

and more, it seems to me that the sum should be paid in full, as with wider experience and under conditions then existing, I will be able to use the money to advantage at that time. How is the standard settlement made of, say $8,000? over a term of years or for the life of the beneficiary?

Would the $8,000 be paid in equal parts of $1,000 per annum for eight years (this is really less than $8,000 in a lump sum) or would only the earned income of the $8,000 invested, be paid?

Your explanation of these points would be appreciated.

H. S.

If you take a 25 Payment Life policy it provides that premiums cease in the 25th year (or earlier, of course, if death occurs prior to the end of the specified period). After paying premiums for 25 years you would have a paid-up policy for $10,000 (assuming that to be the amount you apply for) payable to your beneficiary on claim by your death. You could of course take the cash surrender value yourself in the 25th year, but this would be much less than the face amount of the policy on a Limited Payment plan. The amount of the cash, loan, and surrender value for each year is specified in the policy contract.

I suggested that the greater portion of the policy for $10,000 be left to your beneficiary as income because it would relieve her of the necessity of seeking investments for this fund and would guarantee a regular specified income. This can best be provided by having the proceeds paid to the beneficiary "for 20 years certain and life thereafter." This means that the income will be paid to her *as long as she lives* and will in any case be paid for 20 years certain. Thus, if she dies after having received the income for 10 years, the remaining 10 years' income, or its equivalent in a lump sum, would be paid to her estate.

The amount of the income depends upon the age of the beneficiary when claim is made by the insured's death. On a $10,000 policy with proceeds paid as an annual income, if the age of the beneficiary were 45 when the proceeds were payable, the annual installment would be approximately $565; at age 50, about $595. These income payments would be increased by interest at the guaranteed rate (in your company) of 3½% per annum together with such additional interest as might be apportioned annually by their Board of Directors.

Incontestability

Insurance Editor:

Is there an Old Line Company which offers a policy that is incontestable after two years in effect if written in the State of Illinois? I understand that the insurance law in Illinois makes any policy written in the state incontestable after it has been in force one year.

Incontestable.

In regard to incontestability clause —the Illinois law permits a two-year clause to be in policy providing for incontestability of policy "after it shall

(*Please turn to page* 91)

Still Time to Win a Cash Prize for Christmas

Lists close on Byfi's prize story contest November 30, 1928

FIRST PRIZE	SECOND PRIZE	THIRD PRIZE
$75	$50	$25

For the Best Story on *An Investment Program*

Here is a subject to which every BYFI reader has given thought and consideration. It is intentionally a broad topic so designed to include the widest range of experience. The program may be an actual personal record which has proved satisfactory; or may be a theoretical plan devised by the writer. It may take the form of an investment program for a professional man, a business man, an artisan, a widow, bachelor, farmer, business woman, etc.: or for the man with a growing family or an elderly couple. Again, the occupation or station in life may be disregarded, and the subject made to fit various sized incomes. The program should not confine itself entirely to security investment; real estate, life insurance, building and loan and home buying may all find a place in a broad scheme. In short, the possibilities are many, and any angle of the subject may win a prize. The objective is a story of general interest and appeal.

Rules of the Contest

The contest is open to all whether or not you are a subscriber.

Prizes will be awarded for the best stories, judged, by the BYFI editor, on the basis of originality of discussion, general interest and practical value.

The first prize, as indicated above, will be $75.00, the second $50.00 and the third $25.00.

Stories which do not win prizes but which are deemed suitable for publication will be paid for at regular rates when they appear in print.

All manuscripts must be submitted in typewritten form, marked for the attention of the Prize Contest Editor not later than Friday, November 30, 1928.

No space limitations are imposed, but brevity is a desirable quality and articles of more than 2,000 words are seldom adaptable for publication in this department.

TRADE TENDENCIES

INDUSTRY CONTINUES HIGH LEVEL

General Situation Promising Although Unseasonable Weather Impedes Progress—More Activity in Laggard Lines—Conditions Greatly Improved Over Year Ago

STEEL

Prices Firmer

AS in the previous quarter, the steel industry continues its high rate of activity, a remarkable showing in view of the conditions which ordinarily might tend to bring about a sharper recession than usually occurs at this time of the year. In spite of precedent, that presidential election years more often than not cast a great deal of uncertainty over the industrial horizon, there has been little to indicate that the forthcoming election has hampered the steel business in any way. Although production should slacken perceptibly during November and December, it is not improbable that the fourth quarter will witness a high level of operations in comparison with similar periods. In a number of cases bookings far exceed shipments and output must be maintained if producers do not wish to inconvenience consumers, the majority of which are

(*Please turn to page* 84)

COMMODITIES*

(See footnote for Grades and Units of Measure)

	1928 High	1928 Low	*Last
Steel (1)	$33.00	$32.00	$33.00
Pig Iron (2)	17.00	15.35	17.00
Copper (3)	0.15⅛	0.14	0.15⅛
Petroleum (4)	1.90	1.03	1.36
Coal (5)	1.85	1.52	1.73
Cotton (6)	0.23⅛	0.17¾	0.20⅛
Wheat (7)	2.22	1.50⅞	1.62¾
Corn (8)	1.27¾	1.06	1.15¼
Hogs (9)	0.12⅛	0.07⅝	0.10
Steers (10)	18.35	12.00	17.75
Coffee (11)	0.17¼	0.14¼	0.17⅞
Rubber (12)	0.41	0.17⅛	0.19¾
Wool (13)	0.50	0.44	0.48
Tobacco (14)	0.12	0.12	0.12
Sugar (15)	0.04⅝	0.03⅞	0.03⅞
Sugar (16)	0.06⅛	0.05¼	0.05¼
Paper (17)	0.03¼	0.03¼	0.03¼
Lumber (18)	24.72	19.96	24.72

*Oct. 20.

(1) Open hearth billets, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per pound; (4) Mid-Continent, 36°, $ per bbl.; (5) Pittsburgh, steam mine run, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 red, New York, $ per bushel; (8) No. 2 Yellow, New York, $ per bushel; (9) Light, Chicago, c. per pound; (10) Top, Heavies, Chicago, c. per lb.; (11) Rio, No. 7, Spot, c. per lb.; (12) First Latex crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (14) Medium, Burley, Kentucky, c. per lb.; (15) Raw Cubas, 96° Full Duty, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb.; (18) Yellow pine boards, f. o. b. $ per M.

THE TREND IN MAJOR INDUSTRIES

STEEL—Operations continue at a high level, reaching 88% of capacity as compared with the peak of 91% witnessed earlier in the year. Demand is holding up well and heavier railroad buying should prove a sustaining factor. A seasonal downturn in activity, however, is to be expected as a normal occurrence.

METALS—Smaller supplies and a resumption of large scale buying are responsible for further advance in copper price to 15½ cents. Unless production shows considerable expansion a 16-cent level for the red metal is likely to be attained shortly. Lead and zinc are steady.

PETROLEUM—Although consumption is not as large as in warmer months, gasoline demand is satisfactory, but prices have receded somewhat as a result of decline. Daily average crude oil production is around the high point for the year. Leading refiners report substantial gains in earnings.

AUTOMOBILES—Motor car production in September totalled 413,722 cars, a decline of 47,634 cars from the preceding month. A number of producers are at capacity and popular makes are still meeting excellent demand. Ford is steadily increasing production and a new record for the industry is practically assured.

COTTON—Total number of bales consumed in September was 492,221 as against 526,729 in August and 627,744 in September, 1927. A revision in the crop estimate to under 14 million bales and larger trade buying were favorably reflected marketwise.

MACHINERY—Buying of machine tools is of satisfactory volume throughout the country and a favorable trend is indicated for the balance of the year. Earnings to date are running ahead of last year; and leading companies undoubtedly will report substantial improvement for 1928 as a whole.

RAILROADS—Earnings of 185 railroads for eight months ended August showed a gain of nearly 9 million dollars as compared with the same period in 1927. This was accomplished largely through lowering of operating expenses. Heavier traffic movement from increased coal shipments and sustained industrial activity are also favorable factors.

TIRES—Tire shipments of all makes are establishing new records, with production at unprecedented levels. Leading manufacturers are in stronger position after readjustment of inventory losses resulting from severe slump in crude rubber.

SUMMARY—Healthy state of industry remains unchanged, although vagaries of weather are reflected in imperceptible slowing up in some sections. Trade response to increased activity in most lines, however, is encouraging.

·SERVICE·SECTION·

ANSWERS TO INQUIRIES

SUBSCRIBERS—ATTENTION

The Personal Service Department enables you to adapt THE MAGAZINE OF WALL STREET to your personal problems. If you are a yearly subscriber, you are entitled to receive FREE OF CHARGE a reasonable number of PERSONAL REPLIES BY MAIL OR WIRE on any security in which you may be interested. The inquiries presented in each issue are only a few of the thousands currently received and replied to. The use of this personal inquiry service in conjunction with your subscription to the Magazine should help you to get hundreds or thousands of dollars of value from your $7.50 subscription.

Inquiries cannot be received or answered by telephone nor can personal interviews be granted. Inquiries from non-subscribers of course will not be answered.

Are You Sure of Your Broker?

We invite correspondence from readers desirous of ascertaining the status of brokers with whom they intend to do business. We make no charge for this service, as we recognize the importance of having our readers deal through reliable firms.

Subscribers wishing to avail themselves of the privileges of the Personal Service Department should be guided by the following:

1 ***Be Brief.***
2 ***Confine requests for an opinion to THREE SECURITIES ONLY.***
3 ***Special rates upon request to those requiring additional service.***
4 ***Write name and address plainly.***

BUTTE COPPER & ZINC

Do you regard Butte Copper & Zinc as a good speculation at the present market price? What is the increasing cost of copper likely to mean to this company? Has it any affiliations with one of the giants of the industry, such as Anaconda or Kennecott?—A. E. J., Hibbing, Minn.

The mines of the Butte Copper & Zinc Company, which are located in the Butte section of Montana, produce zinc, lead, manganese and some silver and copper. The Anaconda Copper Co. has a lease on the properties until 1931 and net earnings from ore recovered are divided equally between the two companies. Earnings, during recent years left much to be desired, and profits of the company have suffered as a result of extremely low metal prices. In addition, earnings were further reduced by large expenses in connection with development work and the installation of new machinery. Earnings last year were equal to only 10 cents per share, compared with 32 cents per share in 1926 and 63 cents per share in 1925. No dividends have been paid since 1926. Due to the unfavorable prices for zinc ore, the company in the current year has been concentrating its efforts on the production of manganese, a policy which has apparently resulted favorably as earnings in the first six months to June 30th, were equal to 15 cents per share as contrasted with 7 cents a share in the same period of 1927. Further improvement is not unlikely, but at this time we are frank to state that the shares do not impress us as offering any particular appeal and we would prefer to avoid their purchase pending unmistakable evidence of sustained betterment.

U. S. RUBBER

What is the current outlook for U. S. Rubber, common? I have a tremendous loss on 200 shares of this stock bought in 1926 at 82. Do you think this is a good time to average down my buying price?—H. E. B., Phoenixville, Pa.

We are frank to say that we regard the common stock of the United States Rubber Co. as being primarily attractive only for the longer pull. From that standpoint, however, it is possible to concede the shares a degree of merit, and we have been advising present shareholders to retain commitments, as opposed to any action which would entail a severe loss. The company, in spite of the fact that it is one of the most important factors in the rubber industry, has been seriously handicapped during the recent past by exceedingly keen competition, resulting in price cutting and reduced profit margins, and the substantial inventory losses following the sharp decline in crude rubber values has had the effect of materially reducing the company's earnings and assets. In the first six months of the current year, net operating income was slightly less than $63,400, after including all charges except inventory write offs. This was equivalent to slightly less than 10 cents per share on the 8% preferred stock. For the purpose of writing down rubber inventories to the then existing quotations, 14 millions dollars was charged off against surplus. As a result, however, the company entered the second half year with inventories both finished and unfinished, marked down to a minimum, and with indications pointing to a substantial demand for tires, the company, given the benefit of normal demand for rubber footwear, which also contributes a substantial portion of earnings, should be successful in effecting an encouraging improvement in earnings. It is also important to remember that du Pont interests are believed to have a substantial amount of preferred and common stocks, and it is possible that they will become actively associated with the management. Therefore, if you recognize the speculative factors of the situation and are willing to assume the risk involved, we would counsel awaiting developments before taking any action.

FEDERAL LIGHT & TRACTION

I am rather tired of holding 100 shares of Federal Light & Traction which cost me $47 a share in 1926. What are the nearby prospects for the company? In your opinion, would I gain by closing out now to get into another stock that may enhance in value more rapidly?—L. M. B., Millville, N. J.

Federal Light & Traction Company is one of the smaller of the well known public utility holding companies and during recent years the company has

(*Please turn to page* 65)

When Quick Service Is Required Send Us a Prepaid Telegram and Instruct Us to Reply Collect

15 Points Profit in American Bank Note in 10 Days

On Tuesday, October 16, in a Special Edition of The Investment and Business Forecast, we advised our subscribers to buy American Bank Note stock. The average price paid was 126½.

On Friday, October 26, also in a Special Issue, when the stock was selling around 142, we advised: "Close Out American Bank Note."

In ten days, therefore, our subscribers had cash profits approximating 15 points on each share of American Bank Note carried.

Additional Money-Makers Closed Out During October

OUR consistently successful record shows that the profit taken in American Bank Note is but one illustration of the satisfactory results to be secured through following the specific buying and selling recommendations of the Forecast. Other illustrations are furnished by the following stocks also closed out during October:

	Recommended at	Sold at	Points Profits
Kansas City Southern..	56-63	74¼	11¼-18¼
International Cement ..	67-71½	75	3½- 8
Chandler-Cleveland, pf.	21¾-25¼	28¾	3½- 7
Air Reduction*	82½	85½	3*

*Held only two days.

Other opportunities are developing right along. Are you going to profit from them?

SUBSCRIBING to THE INVESTMENT AND BUSINESS FORECAST *now* may net you thousands of dollars within the next six months. Put our corps of market experts to work for you—let them seek out the opportunities, analyze conditions, weigh the possibilities, and—once a recommendation is made — study daily the action of the security until the time comes to close it out. Simply mail your check for $75—saving you $25 from the regular semi-annual price—with the coupon below and we will:

(a) telegraph or cable you immediately three to five stocks so that you may take a trading position without delay. These stocks will be selected from our regular departments so that you will be advised when to close them out;

(b) send you the regular weekly and all special issues and recommendations of The Investment and Business Forecast for six months, summarizing by wire or cable all important advices—when to make commitments and when to close them out;

(c) analyze your present and contemplated holdings at any time during the entire life of your subscription and tell you what to do with each security you own;

(d) wire you within the next six weeks (in addition to the regular and special advices of the Forecast) individual profit recommendations covering three stocks of which we will keep a card index record and advise you by personal telegram when to close them out. We endeavor to send only one of these recommendations at a time.

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I enclose $75 to cover my test subscription to The Investment and Business Forecast for the next six months. I understand that I am entitled to all the privileges outlined above.

Name ....

Street and No. ....

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☐ Wire me collect upon receipt of this coupon, three to five stocks in which to make commitments at the market as mentioned in (a).

Wire Service Wanted on (b)?
☐ Yes
☐ No

Nov. 3

THE EFFECT OF IMAGINATIVE BUYING ON STOCK MARKET

(*Continued from page* 19)

recent occurrence, being a feature of the May, 1928, bull market. Long before that, the speculative attraction of new industries had run the gamut of radio, electrical refrigeration, soft drinks, ice cream and dairy products and bread baking. The two latter are not new industries, of course. But the tendency toward consolidation in the hands of large corporate units is emblematic of the modern trend toward mass production as contrasted with small scale or domestic manufacture. It is thus part and parcel of the industrial revolution that is making itself so violently evident in stock market activities.

The dairy stock enthusiast, on the whole, has fared much better than the speculator whose optimism overpowered reason and trapped him into the belief that the abortive baking mergers of 1925 were about to open the doors to fabulous profits. Likewise, the soft drink stocks, born of prohibition, have proved more stable than the electrical refrigeration issues. With the latter, it has been a case of too much enthusiasm among manufacturers as well as speculators. The industry seemed to hold such promise that excessive competition developed, necessitating numerous readjustments. Even now, it is still passing through a process of stabilization.

The phenomenal expansion of the chain store and automobile companies, oftentimes from one man affairs with an initial capital investment well down in five figures, has not failed to make a deep impression upon the popular mind. Taking full advantage of research, the motor industry in a little over thirty years rose to front rank among American enterprises. The example of the motor car has thus tended to inflame the speculative imagination and made it susceptible to the belief that other infant industries might easily duplicate its performance.

For example, the spontaneous craze for radio stocks, four years ago, developed such proportions and vigor that the mere listing of a new issue was sufficient to induce an unrestrained rush of public buying. Prices moved absolutely without relation to values or earning power. Frequently neither of these was known or ascertainable.

Out of that fad there emerged a few of the original stocks. But the majority of investors today probably cannot even recall the names of many companies which flashed across the market horizon in 1924. Something of the same sort occurred with the advent of artificial silk, or rayon. Imaginative buying played havoc with price-value relationships in the market for rayon stocks for a time. But in the inevitable passing from the development stage to standardization and sound commercial progress, the course of the industry was marked by the wreckage of speculative hopes, many years pre-mature.

Force of Speculation

Nevertheless, the speculative urge will not down. Despite the lessons of the past, the rush to discount the possibilities in new industries is irresistible. There are no fixed or established standards to limit the play of imagination. Thus, the age of science and research may be held responsible for the introduction of a new factor into stock market calculations. It has exerted a profound influence because the rapid succession of new inventions has provided so much fuel to feed the speculative flames in recent times.

Such is the regularity of these flare-ups, that each bull movement of late years has had its distinguishing outburst. During the current cycle, the radio and the airplane were supplanted by the "taking movie." To a public more fully cognizant of stock market activities, the advent of talking pictures in the theatres simply furnished a spark to touch off a fresh outpouring of speculative enthusiasm.

As with its predecessors, the wave of speculation in movie stocks affected with a "talking" complex, has already subsided. In passing its crest, the usual contingent of last minute enthusiasts have paid the cost of their slow wittedness in climbing upon the popular band wagon when the parade was nearly over.

None the less, still another echo of all these sequences of new industry speculation came within the last few weeks in the form of a spectacular rise of a substantial tire stock. The startling advance in Goodyear came synonomously with the now historic flight of the Graf Zeppelin, the first passenger air-liner. Regardless of the probability that a long period may elapse before Goodyear's Zeppelin manufacturing subsidiary may prove a source of substantial earnings to the parent organization, this flight was all that was needed to bring a spontaneous rise in the stock.

The great expansion in public participation in the stock market suggests that such speculative waves, such popular fads, will hereafter always play their role during bull cycles. New industries and the new speculation, therefore, have injected another factor into the market which will profoundly influence it. The greater the number of its following, the greater the competition of buyers in their endeavors to outguess each other in discounting "coming events." The investor must take account of these changes, both as a matter of self-protection when over-enthusiasm is rife, and also for practical reasons so that, insofar as possible, he may outguess the multitude and profit accordingly. At the same time, he will also read, from the experiences of the past, a lesson in the ephemeral nature of many such speculative eruptions and govern his own stock market transactions accordingly.

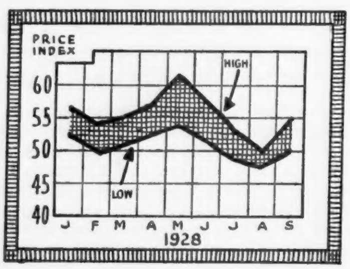
EIGHT STOCKS SELLING BELOW ASSET VALUE

(*Continued from page* 37)

creasing earning power of the property. During 1928 the price range has been between 106 and 136½. The current price is around 132, affording a yield of 4.5%, and amounts to less than ten times the indicated earnings for the year.

Selling at a reasonable level with respect to asset values and earning power Rock Island stock does not appear to have fully discounted the strong position and favorable prospects of the company and in the present market the issue may still properly be regarded as an attractive investment.

Island Creek Coal Co.



ISLAND CREEK is one of the lowest cost producers of bituminous coal in the country and its ability to earn good profits even under adverse conditions in the coal industry amply proves the special advantages enjoyed by the properties. The company's mines are located in West Virginia and are operated under the nonunion system.

The tract of land now known as the Island Creek property contains several coal seams estimated by engineers to contain from 300,000,000 to 400,000,000 tons of coal. From 1905 to 1927 over 60,000,000 tons were mined, production for 1927 alone being 7,397,980 tons. Reserves have been increased from time to time by the purchase or lease of suitable properties and those now owned or controlled are estimated as sufficient to give the company a life of upwards of 60 years. The net valuation of these lands as carried on the balance sheet as of December 31, 1927, was $7,129,568, known to be an ultra conservative figure. The real value of these reserves is enormous based on the value of the coal alone.

Over the last five calendar years costs of production are

(*Please turn to page* 56)

(*Continued from page* 54)

said to have averaged $1.43 per ton against an average selling price of $1.78 per ton, the profit margin thus being 35 cents for each ton mined during the period. Since 1919 net income has not fallen below $2,000,000 in any single year and the average over the eight year period has been about $2,880,000 annually. Net for 1927 amounted to $3,611,408.

Capital structure is simple. The company has no funded debt and only 41,711 shares of $6.00 cumulative preferred stock are outstanding prior to the 593,865 shares of common. Both classes of stock have a nominal par value of $1.00 per share.

Early in 1927 authorized common stock was increased from 150,000 to 650,000 shares and a 400% stock dividend was distributed bringing the outstanding capitalization up to the figure given above. On the basis of the present capitalization, net earnings available for the common stock were equal to $4.42 in 1926 and to $5.64 in 1927. For the first nine months of 1928 net has amounted to slightly under $2,000,000 or to a little more than $3.00 per share.

Regular dividends have been paid on the preferred stock, and also on the common since 1912 in generally increasing amounts. Since April 1, 1927, the date of its issue, a rate of $4.00 per annum has been maintained on the new common. Although but barely earned to date during 1928 this dividend is not considered in any danger because of the strong financial condition of the company and also because of the improved prospects for the balance of the year and during 1929.

As of December 31, 1927, total current assets were reported as $9,133,000 including $6,953,000 cash and Government securities. Current liabilities were $1,592,000 and net working capital $7,541,000. Book value of the common stock based on the conservative balance sheet figures was $27.22 per share as compared with a current market price of around $51. The price range for the year has been between 47 and 61. Based on actual values the assets back of each share of stock no doubt exceed the market price at current levels. This stock yields $7.8%.

Favored by low production costs Island Creek will more quickly benefit from any real improvement in the soft coal industry than most other companies. The stock may be purchased at current levels by those impressed by the great asset values back of the issue and optimistic regarding the longer term outlook for the coal industry.

WHAT BREAK-UP OF SOUTHWEST MERGER MEANS TO K. S. U.

(*Continued from page* 29)

sale of all of the Missouri, Kansas & Texas holdings and the Cotton Belt common stock. Approximately $13,000,000 has so far been realized. The disposition of these shares relieves the company of a rather onerous burden, since these stocks paid no dividends. Undoubtedly, the cash realized has been employed profitably with the result that the earnings derived therefrom offset the interest payments on the company's unfunded debt. The earnings derived from the St. Louis Southwestern preferred stock leave a considerable amount applicable to the common stock. While the amount cannot be accurately determined, a conservative estimate would be an addition of about $2.00 per share to the earning power of the Kansas City Southern Railway common stock.

Notwithstanding the increase of $1,230,979 in net railway operating income, net income declined from $2,773,433 in 1923 to $1,897,664 in 1927. This decrease is due to two causes, namely, increased equipment hire, especially freight cars and higher interest charges. However, the increase in equipment hire from $673,293 to $968,932 was not due to any shortage of equipment. Being a receiving road, results in a large number of freight cars on its own lines. Moreover, Kansas City Southern handles a considerable number of refrigerator cars in connection with the movement of perishables. Equipment of this type cannot be utilized for other purposes and hence adds to the burden. Nevertheless, the steady increase in daily car mileage indicates that the management is doing its utmost to keep equipment hire as low as possible. Reflecting this situation, is an average of 52 car miles per car day in 1927 as against an average of 38.7 miles in 1923.

From December 31, 1922, to the end of 1927, road and equipment increased from 103.82 to 110.46 million dollars. Many improvements were made to the company's physical property during this period, especially in connection with shop facilities at Pittsburgh, Kansas and Shreveport, Louisiana. A new transportation yard costing $452,000 was also constructed at the latter city. By the end of 1927, 88 miles of road were laid with 100 lb. rails. Bridges, trestles and culverts were improved by lengthening the amounts of steel and concrete structures and decreasing the length of wooden structures. At the beginning of 1923 the company reported a total of 186 locomotives whose average tractive power was 42,762 lbs. Although this item had been reduced to 163 engines at the end of 1927, the average tractive power had increased to 56,371 lbs. As of December 31, 1927, the company was in satisfactory financial condition. Current assets were $6,590,081 and current liabilities were $4,261,001. Included in the current assets was cash totaling $2,370,007 and special deposits in amount of $573,926. The company's liquid position has been greatly strengthened through the sale of the Missouri, Kansas & Texas holdings. Deducting a liability of $13,830,612 against this asset and the St. Louis Southwestern holdings, leaves a free asset currently valued at approximately $12,000,000.

Capitalization is fairly well balanced, funded debt being equal to $62,705,941 as of December 31, 1927. It comprised 55% of the total securities outstanding. Deducting $1,696,800 of equipment obligations, resulted in funded debt per mile of road of $72,500. While this rate is heavy it is offset by the fact that the annual rate of interest thereon was 4.15%, a very low figure. Moreover, barring the equipment obligations which are due serially, there are no important maturing obligations until 1950. The largest issue outstanding is $30,000,000 3% first mortgage bonds due in that year. They mature simultaneously with $21,000,000 gold 5% bonds. Preferred stock as of December 31, 1927, totaled $21,000,000, and common stock amounted to $29,959,900. The latter has a fairly high equity, the book value being $158,000 per share. Dividends on the preferred shares have

(*Please turn to page* 58)

Operating Statistics

Item	1927	1926	1925	1924	1923	Change	%
Train load, gross tons	2,071	1,958	1,927	1,759	1,616	455	28.1
Speed miles, per train hr.....	13.1	13.2	12.5	12.2	11.2	1.9	16.9
Gross ton miles, per train hr.	27,211	25,850	24,050	21,432	18,124	9,087	50.1
Fuel consumption, lbs.—1,000 gross ton miles	105	109	113	142	139	34	24.4
Ton mileage (000 omitted)...	1,931,629	1,733,299	1,592,310	1,542,245	1,684,014	247,615	14.7
Freight train mileage	2,253,895	2,099,267	1,937,892	1,971,915	2,233,864	20,031	.89
No. of cars—train	54.6	50.4	49.0	44.5	40.8	13.8	33.8

(*Continued from page* 56)
been paid without interruption since 1907, but no dividends have ever been paid on the common stock. Earnings thereon have been as follows:

Year	Earnings
1927	$3.56
1926	4.83
1925	4.18
1924	3.70
1923	6.22

Examination of the natural resources of the territory traversed by Kansas City Southern, reveals a wide diversity of raw materials. The latter no doubt constitute potential opportunities for the further development of traffic. Among the different minerals available are vast deposits of coal, petroleum, clay, zinc and lead ores and limestone. Although timber lands are being depleted, the latter will lend themselves ultimately to dairying and other forms of agriculture. Kansas City Southern also traverses sections contiguous to the Ozark Mountains. These lands are highly desirable for truck gardening and fruit growing.

For a period of twenty-eight years equities have been steadily built behind the Kansas City Southern shares. Moreover, the latter would be more generally appreciated, if the fact were taken into consideration that interest charges and preferred dividend requirements senior thereto, are outstanding at an annual rate of 4.1%. The company is not confronted with the problem of meeting maturing obligations for many years and with its large accumulation of treasury assets, is in a position to finance future capital expenditures, without recourse to new financing. These assets can also be used to earn additional income which is applicable to the common stock. The company's treasury assets have a free current market value of approximately $12,000,000, which is equivalent to $40.00 per share on the outstanding common stock. On deducting the latter amount from the current market quotation of the Kansas City Southern shares, a value of approximately $25.00 is reflected for the stock with an average earning power of $4.50 per share from railroad operations. Judged by prevailing standards, the common stock of Kansas City Southern therefore does not appear to be overvalued. Moreover, the company is in a favorable position to develop its traffic in which event still higher earnings should be witnessed. *In view of the foregoing considerations, the stock at current levels is not without attraction for the patient holder.*

For Special Features to Appear in the Next Issue See Page 5

New York Stock Exchange

RAILS

	Pre-War Period 1909-1913 High	Pre-War Period 1909-1913 Low	War Period 1914-1918 High	War Period 1914-1918 Low	Post-War Period 1919-1927 High	Post-War Period 1919-1927 Low	1928 High	1928 Low	Last Sale 10/24/28	Div'd $ Per Share
Atchison	125⅝	90¼	111¼	70	200	91¾	197⅛	182⅜	192¾	10
Do Pfd.	106¾	96	102⅛	75	106¾	72	108½	102½	†104	5
Atlantic Coast Line	148½	102½	126	79⅞	268	77	191½	157⅛	163⅛	‡7
Baltimore & Ohio	122¼	90⅝	96	88¼	125	27⅝	119⅞	103¾	113⅜	6
Do Pfd.	96	77¼	80	48¼	83	38½	85	78	78⅝	4
B'klyn-Man. Transit	..	..	..	..	77⅞	9¼	77⅝	53⅜	67⅞	4
Do Pfd.	..	..	..	..	89¾	31⅜	95⅝	83	89¼	6
Canadian Pacific	283	165	220⅛	126	219	101	223⅝	195⅛	217⅜	10
Chesapeake & Ohio	92	51⅛	71	35⅝	218½	46	205¼	175½	187	10
C. M. & St. Paul	165⅛	96¾	107⅛	35	52¾	3¼	40⅛	22¼	34	..
Do Pfd.	181	130⅛	143	62⅛	76	7	56⅛	37	49⅞	..
Chi. & Northwestern	198½	123	136⅞	35	105	45⅞	94¼	78	86½	4
Chicago, R. I. & Pacific	..	..	45¾	16	116	19⅛	136¾	106	135⅞	6
Do 7% Pfd.	..	..	94¾	44	111¾	64	110½	106¼	†106¾	7
Do 6% Pfd.	..	..	80	35¾	104	54	105	100	†100¾	6
Delaware & Hudson	200	147½	159½	87	230	83¼	226	163¼	186¼	9
Delaware, Lack. & W.	340	192½	242	160	260½	93	150	129	129¼	6
Erie	61¼	33½	59½	18¾	69¾	7	66⅛	48⅜	55½	..
Do 1st Pfd.	49¾	26¼	54¾	15⅛	66¼	11⅛	63⅞	50	56¼	..
Do 2nd Pfd.	89⅛	19½	45⅝	13⅛	64½	7⅛	62	49¼	†53½	..
Great Northern Pfd.	157⅞	115½	134¾	79¼	103⅞	50⅝	109	93⅛	101¾	5
Hudson & Manhattan	..	..	..	..	65⅞	20⅝	73⅛	51	53¾	2½
Illinois Central	162⅛	102¾	115	85¾	139⅝	80⅞	148¾	131¾	139	7
Interborough Rap. Transit	..	..	..	..	53¾	9½	62	29	42⅜	..
Kansas City Southern	50¼	21⅜	35⅛	13½	70½	13½	75	43	71⅛	..
Do Pfd.	75½	56	65⅛	40	73⅛	40	77	60⅛	69	4
Lehigh Valley	121¼	62½	87⅛	50⅝	137½	39½	116	84⅛	97¾	3½
Louisville & Nashville	170	121	141⅞	103	159⅛	84¾	159⅛	131⅛	†141½	7
Mo., Kansas & Texas	*51⅛	*17⅛	*24	*3⅛	56½	*¾	47⅜	30⅛	45⅝	..
Do Pfd.	*78¼	*46	*60	*6⅛	109½	*2	109	101⅛	103⅞	7
Missouri Pacific	*77½	*21⅛	38⅛	19⅞	62	8¼	76¼	41⅞	71⅛	..
Do Pfd.	..	..	64⅞	37⅛	118⅝	22¼	124⅛	105	124⅜	..
N. Y. Central	147¾	90⅜	114¼	62⅛	171⅛	64⅛	191⅛	156	173¾	8
N. Y., Chi. & St. Louis	109¾	90	90¾	55	204⅛	23¾	146	121¼	127½	6
N. Y., N. H. & Hartford	174¾	65⅝	89	21½	63⅜	9⅝	68⅜	54⅜	64¼	2
N. Y., Ontario & W.	55⅜	25⅛	35	17	41¾	14¼	39	24	26⅛	..
Norfolk & Western	119¼	84¼	147⅛	92⅝	202	84¼	187	175	181¾	‡8
Northern Pacific	150⅛	101¾	118⅞	75	102⅛	47⅞	105⅛	92⅜	101	5
Pennsylvania	75⅝	53	61⅛	40¼	68	32¼	72½	61⅞	64⅞	3½
Pere Marquette	*36⅛	*15	38⅛	9⅛	140¾	12⅛	140	124⅞	130	‡6
Pittsburgh & W. Va.	..	..	40⅜	17¾	174	21⅛	163	121¼	155⅞	6
Reading	89⅝	59	115⅛	60⅛	123¾	51⅞	119⅝	94¼	103	4
Do 1st Pfd.	46¾	41¼	46	34	61	32⅞	46	42	†41½	2
Do 2nd Pfd.	58¾	42	52	33¾	*65	32⅛	59⅝	44	†47⅜	2
St. Louis-San Fran.	*74	*13	50⅛	21	117¼	10¾	123	109	118⅛	7
St. Louis-Southwestern	40⅜	18½	32⅛	11	93	10⅞	123	67⅛	121	..
Seaboard Air Line	27⅛	13¼	23⅜	7	54¼	2⅛	30⅛	11⅝	18	..
Do Pfd.	56½	23½	58	15⅛	51⅛	3	33	17	21⅛	..
Southern Pacific	139⅛	83	110	75¾	126⅞	67½	131¼	117⅝	122⅜	6
Southern Railway	34	18	36¾	12½	149	24¾	165⅝	139½	144¾	8
Do Pfd.	86⅞	43	85¼	42	101⅛	42	102¼	96⅝	†99	5
Texas & Pacific	40½	10¼	29½	6⅛	103⅞	14	194⅝	99½	193	5
Union Pacific	219	137¾	164⅜	101¼	197¾	110	204¾	186½	202½	10
Do Pfd.	118½	79¾	86	69	85⅛	6¼	87¼	82¾	83½	4
Wabash	*27⅞	*2	17⅛	7	81	6	96¼	51	78½	..
Do Pfd. A	*61¾	*6⅛	60⅛	30⅞	101	17	102	88½	93	5
Do Pfd. B	..	..	32⅞	18	98	12¼	99⅛	87	†90	5
Western Maryland	*56	*40	23	9¼	67⅞	8	54⅜	31¾	43⅛	..
Do 2nd Pfd.	*88¼	*53⅛	*58	20	67½	11	54⅞	33½	†43¼	..
Western Pacific	..	..	25⅛	11	47½	12	87½	28¼	31	..
Do Pfd.	..	..	64	35	86⅛	51⅛	62⅛	52⅛	55	..

INDUSTRIALS

	Pre-War Period 1909-1913 High	Pre-War Period 1909-1913 Low	War Period 1914-1918 High	War Period 1914-1918 Low	Post-War Period 1919-1927 High	Post-War Period 1919-1927 Low	1928 High	1928 Low	Last Sale 10/24/28	Div'd $ Per Share
Adams Express	270	90	154⅛	42	210	22	410	195	355	6
Ajax Rubber	..	..	89⅛	45⅛	113	4¼	14⅜	7⅛	8⅞	..
Allied Chem. & Dye	..	..	..	..	169¼	34	240¾	146	235	6
Do Pfd.	..	..	..	..	124	83	125¾	120⅛	122½	7
Allis-Chalmers Mfg.	10	7⅝	49⅛	6	118¾	26½	141½	115⅛	134¾	7
Am. Agric. Chem.	63⅝	33½	106	47¾	113¾	7⅛	23¼	15⅝	18⅝	..
Do Pfd.	105	90	103⅛	89⅛	103	18	76½	55⅝	67	..
Am. Beet Sugar	77	19¾	108⅛	19	103¾	15⅛	24½	14¾	20	..
Am. Bosch Magneto	..	..	..	..	143⅞	13	41	15⅜	37	..
Am. Can	47⅞	6⅞	63⅛	19¼	*344½	*21¾	113⅝	70½	109¼	2
Do Pfd.	129¼	98	114⅛	80	141¾	72	147	136¾	142	7
Am. Car & Foundry	76⅛	36⅛	98	40	*201	97½	111⅛	88¼	91⅞	6
Do Pfd.	124¾	107⅛	119⅛	100	134¾	105¾	137½	110⅝	114¾	7
Am. Express	300	94¾	140⅛	77½	183	76½	268½	169	240	6
Am. Hide & Leather	10	3	22⅛	2½	43⅛	5	18⅝	8¼	9⅜	..
Do Pfd.	51⅞	15⅛	94⅞	10	142⅝	29¾	67⅜	34⅛	†36	..
Am. Ice	..	..	49	8⅞	*139	25¾	46⅝	28	39⅜	2
Am. International	..	..	62¾	12	132¼	17	139½	71	125½	2
Am. Linseed Pfd.	47¾	20	92	24	113	4¼	144	86½	†133	7
Am. Locomotive	74¾	19	98¼	46⅝	144⅞	58	115	87	90	8
Do Pfd.	122	75	109	93	127	96½	134	106	106	7
Am. Metal	..	..	..	..	67⅜	36⅛	53⅝	39	57½	3
Am. Radiator	*500	*200	*445	*235	*345	64	162	130⅛	158¾	5
Am. Safety Razor	..	..	..	..	76¾	*3½	75	56	69½	4
Am. Ship & Commerce	..	..	..	..	47½	2½	6⅛	3⅛	4⅛	..
Am. Smelt. & Ref.	105⅛	56⅝	123¾	50¼	183¾	29¼	270¾	169	265⅞	8
Do Pfd.	74⅛	24⅛	95	44	133	18	142	131	†187	7
Am. Steel Foundries	116¾	98¼	118⅞	97	122⅝	41½	70⅜	50⅛	56	3
Do Pfd.	..	..	..	..	115	78	115	108	†111¾	7

Price Range of Active Stocks

INDUSTRIALS—(Continued)

	Pre-War Period 1909-1913 High	Low	War Period 1914-1918 High	Low	Post-War Period 1919-1927 High	Low	1928 High	Low	Last Sale 10/24/28	Div'd $ Per Share
Am. Sugar Refining..........	136⅜	99⅞	126½	89⅛	143⅜	36	81	55	75½	..
Do Pfd.	133½	110	123½	106	119	67½	110½	100	105⅝	7
Am. Tel. & Tel...............	153⅝	101	134½	90⅝	185½	92½	211	172	179⅜	9
Am. Tobacco	*530	*200	*256	*123	*314½	82½	176	152	172¼	8
Do Com. B	..	..	..	..	*210	81¼	177	152	171	8
Am. Water Works & Elec....	..	..	..	..	*144	*4	70¾	52	60	‡1
Am. Woolen	40⅝	15	60⅞	12	169½	16½	24¾	14	19	..
Do Pfd.	107¾	74	102	72½	111⅞	46⅞	62¼	39	45⅞	..
Anaconda Copper	54⅜	27½	105⅜	24¼	77⅞	28½	89¾	53¾	89⅜	4
Associated Dry Goods.........	..	..	28	10	140½	39½	53¼	40½	47⅝	2½
Do 1st Pfd.	..	..	75	50½	112	49⅞	113⅞	99½	†102	6
Do 2nd Pfd.	..	..	49½	35	114	38	119½	106¼	†107	7
Atl. Gulf & W. Indies........	13	5	147¾	4½	192⅝	9¼	59⅞	37⅛	39½	..
Do Pfd.	32	10	74¾	9⅞	76½	6⅜	58⅞	38	56⅞	3
Atlantic Refining	..	..	..	..	*1575	78½	231½	95¾	231½	4
Austin Nichols	..	..	..	..	40⅜	4¼	9¼	4	6⅞	..
Do Pfd.	..	..	..	..	95	23½	39	25	†31	..
Baldwin Locomotive	60¾	36½	154½	26⅝	265¾	62¼	285	235	†236	7
Do Pfd.	107½	100¼	114	90	125¼	92	124¾	116	†115⅞	7
Bethlehem Steel	*51⅝	*18¾	155½	59¾	112	37	72½	51⅞	68⅛	..
Do 7% Pfd.	80	47	186	68	108	78	125	116⅛	119⅞	7
Brooklyn Edison Electric......	134	123	131	87	225	82	270¼	206¾	270¼	8
Brooklyn Union Gas..........	164½	118	138¾	78	157½	41	174¾	139	163	5
Burns Brothers	45	41	161½	50	147	76	126⅝	93½	126⅛	8
Do B	..	..	..	..	53	16¼	43⅜	15⅞	†36½	..
Butte & Superior............	..	..	105¼	12¼	37⅞	6½	16⅜	8¾	11⅛	2
California Packing	..	..	50	30	*179½	48¼	82⅝	68½	75⅝	4
California Petroleum	72½	16	42⅝	8	*71⅞	15⅜	36	24	†33	.1
Cerro de Pasco Copper........	..	..	55	25	73½	23	106⅛	61½	106	5
Chile Copper	..	..	39¼	11¼	44⅜	7	60⅜	37⅜	59¼	3
Chrysler Corp.	..	..	..	..	*253	38½	140½	54¾	133½	3
Coca Cola	..	..	..	..	177¾	18	180½	127	176½	6
Colorado Fuel & Iron.........	53	22½	66½	20½	96⅜	20	84½	52½	67¼	..
Columbia Gas & Elec..........	..	..	54⅛	14¼	*114⅞	30¼	133⅝	89½	126⅞	5
Congoleum-Nairn	..	..	..	*184⅜	*184⅜	12½	31½	22	25⅛	..
Consolidated Cigar	..	..	..	..	87¼	11⅜	99	79½	92⅝	7
Consolidated Gas	*165¼	*114½	*150½	*112½	*145¾	56¾	82¾	74	80	..
Continental Can	..	..	*127	*37⅛	*131¾	34⅜	128⅞	80¼	117½	5
Corn Products Refining.......	26½	7⅜	50½	7	*160½	21½	89⅜	64⅜	84½	2
Do Pfd.	98½	61	113½	58⅛	142¼	96	146¾	138½	†141	7
Crucible Steel	19⅝	6½	109⅞	12¼	*278½	48	93	69¼	80⅛	5
Cuba Cane Sugar	..	..	76⅜	24⅞	59⅜	4⅞	7½	4⅜	4¾	..
Do Pfd.	..	..	100⅛	77¼	87	13⅛	32⅜	13¾	13⅝	..
Cuban-American Sugar	*58	33	*273	*38	*605	10⅞	24¼	16⅛	17¼	1
Cuyamel Fruit	..	..	..	..	74½	30	63	49	57½	..
Davison Chemical	..	..	..	..	81¼	20⅜	66¾	34⅜	62⅝	..
Dupont de Nemours..........	..	..	..	..	*360	105	442	310	431	‡10
Eastman Kodak	*No Sales		*605	*690	*690	70	194¼	163	188	5
Electric Storage Battery......	*64¼	*42	*78	*42¼	*153	37	91⅞	69	88½	5
Endicott-Johnson	..	..	..	..	150	44	85	75¼	77	5
Do Pfd.	..	..	..	..	125	84	127	121¼	†122	7
Fisk Rubber	..	..	..	..	55	5½	17¾	8⅞	11½	..
Do 1st Pfd.	..	..	..	..	116½	38⅛	91½	55¾	†57	..
Fleischmann Co.	..	..	..	..	*171½	46⅛	89⅜	65	84½	3
Foundation Co.	..	..	..	..	183¾	35⅛	55¾	36½	†38	..
Freeport-Texas	..	..	70½	25¾	106½	7½	109¼	43	45½	‡4
General Asphalt	42⅞	15½	39⅜	14¼	160	28	94⅞	68	73⅜	..
General Cigar	..	..	..	..	*115¼	46	75⅜	59½	61½	4
General Electric	188½	129¾	187¼	118	*386½	81	175	124	170	‡4
General Motors	*51¾	*25	*850	*74½	*282	*8⅛	223⅞	130	222	‡5
Do 7% Pfd.	..	..	..	125¾	125¾	95⅛	127½	123½	125	7
Goodrich (B. F.) Co..........	86½	15½	80¼	19⅝	96½	17	99⅜	68½	83⅞	4
Do Pfd.	109¾	73⅜	116¾	79⅞	111½	62½	115⅝	109½	†111⅜	7
Goodyear T. & R. Pfd.........	..	..	..	..	72½	5	98⅞	45⅛	88⅞	..
Do Pfd.	..	..	..	..	99⅛	92½	101¾	92½	100	7
Granby Consolidated	78¼	26	120	58	80	12	75⅝	39⅛	74⅞	4
Great Northern Ore Ctfs......	88½	25½	50⅜	22½	52¾	18	33⅜	19¼	29½	1½
Gulf States Steel	..	..	137	58¾	104⅝	25	73⅞	51	69¼	..
Houston Oil	25½	8	86	10	175¾	40½	167	119	140	..
Hudson Motor Car............	..	..	..	..	139½	19½	99⅞	75	83⅜	5
Hupp Motor Car	..	..	11	2½	36¼	4⅝	81½	29	74	2
Inland Steel	..	..	..	..	62⅜	31⅛	74½	46	71¾	2½
Inspiration Copper	21⅝	13⅞	74¾	14¼	68⅞	20¾	31½	18	31⅛	..
Inter. Business Mach.	..	..	52⅝	24	*176¼	28¾	150¾	114	149	5
Inter. Combustion Eng.	..	..	..	..	69½	19⅝	74¼	45¼	66⅞	2
Inter. Harvester	..	..	121	104	255⅝	66¾	328¾	224¾	318¾	‡6
Inter. Mercl. Marine..........	9	2⅛	50⅝	⅝	67¾	3½	7⅜	3¾	5½	..
Do Pfd.	27⅝	12½	125⅝	8	128½	18½	44⅝	34⅛	37¾	..
Inter. Nickel	*227¼	*135	57½	24½	89½	24¼	190	73⅝	175⅝	3
Inter. Paper	19¾	6½	75½	9½	91¾	27⅞	86⅜	64⅜	64⅞	2.40
Kelly-Springfield Tire	..	..	85	36⅞	164	9	27⅜	15	21½	..
Do 8% Pfd.	..	..	101	72	110	33	86½	55¼	84	..
Kennecott Copper	..	..	64¼	25	90⅜	14⅝	119¼	80⅛	117¼	6
Kinney (G. R.) Co............	..	..	..	..	103	19¾	56¾	37⅞	53	..
Lima Locomotive	..	..	..	..	76⅜	49	65⅞	38	†41½	..
Loew's, Inc.	..	..	..	..	63⅞	10	77	49⅛	61⅛	2
Loft, Inc.	..	..	..	..	28	5	19⅜	5¾	11	..
Lorillard (P.) Co............	*215¼	*150	*239⅞	*144½	*245	23½	46⅞	23¾	28¼	..
Mack Trucks	..	..	..	..	242	25½	107⅞	83	93½	6
Magma Copper	..	..	..	..	58¾	26⅛	64¼	43¾	62½	3
Mallinson & Co.	..	..	..	..	45	8	37⅛	16	35⅜	..
Maracaibo Oil Explor..........	..	..	..	..	37½	12	25⅛	12½	21¼	..
Marland Oil	..	..	..	..	63⅜	12⅛	44⅛	33	40⅞	..
May Department Stores........	*88	*65	*97½	*35	*174¾	*60	89¾	75	86⅛	4
Mexican Seaboard Oil..........	..	..	..	..	34½	3	41½	4⅝	37¾	..
Miami Copper	30¼	12¾	49¾	16½	32¾	8	26⅞	17¾	26¼	1½
Montgomery Ward	..	..	..	..	123⅛	12	352	117	332	‡4
National Biscuit	*161	*96½	*139	*79⅞	*270	35⅝	184	159⅛	168⅛	‡6
National Dairy Prod.	..	..	..	..	81⅞	30⅛	119⅜	64½	115	3
National Enam. & Stamp.....	30¼	9	54½	9	89¼	18½	48⅞	23¼	45	..

(Please turn to next page)

New York Stock Exchange
Price Range of Active Stocks

INDUSTRIALS—(Continued)

	Pre-War Period 1909-1913		War Period 1914-1918		Post-War Period 1919-1927		1928		Last Sale 10/24/28	Div'd $ Per Share
	High	Low	High	Low	High	Low	High	Low		
National Lead	91	42½	74⅝	44	*202¾	63½	136	115	124	5
N. Y. Air Brake	98	45	136	55⅞	*145¾	26⅝	50½	39⅞	41½	3
N. Y. Dock	40¼	8	27	9¼	70¾	15¼	64¼	47	51½	..
North American	*87⅞	*60	*81	*38⅞	*119½	17½	79½	58⅝	74	§10%
Do Pfd.	..	..	..	..	55	31⅞	55⅝	51	53⅜	3
Packard Motor Car	..	..	..	..	62	9⅞	100⅜	56¼	96¼	‡3
Pan.-Am. Pet. & Trans.	..	..	70¾	35	140¼	38⅛	53¾	38¼	50½	..
Do Class B	..	..	..	..	111¾	34⅛	54⅝	37¾	52¼	..
Paramount-Fam. Players Lasky	..	..	..	..	127½	40	51½	47¼	50½	..
Philadelphia Co.	59	37	48⅞	21½	153⅛	26½	174	145	†160	4
Phila. & Reading C. & I.	..	..	..	..	54¼	34½	39¾	27⅜	32	..
Phillips Petroleum	..	..	..	..	69⅝	16	45	35¼	34⅝	1½
Pierce-Arrow	..	..	65	25	99	6⅛	27⅝	23	24	..
Do Pfd.	..	..	109	88	127¼	13½	71	64½	†61	..
Pittsburgh Coal	*29¾	*10	58¾	37½	74⅝	29	55	36⅛	39½	..
Postum Co.	..	..	..	..	*134	*47	74¼	61⅜	68⅛	3
Pressed Steel Car	56	18½	88	17¼	113¾	34⅛	33½	18	24¼	..
Do Pfd.	112	88½	109⅛	69	106	67	92½	70	81	7
Pub. Serv. N. J.	..	..	..	..	*98⅞	*29	71⅜	41½	65⅜	2
Pullman, Inc.	200	149	177	106½	199½	*87¼	94	77⅞	82½	4
Punta Alegre Sugar	..	..	51	29	120	24¾	34⅞	19	26½	1½
Pure Oil	..	..	143⅞	81⅞	61⅞	16¼	27½	19	20⅞	..
Radio Corp. of America	..	..	..	..	101	25⅞	239¾	85¼	221½	..
Republic Iron & Steel	49½	15¾	96	18	145	40⅛	91⅞	49⅛	82⅜	4
Do Pfd.	111¼	64½	112⅝	72	106¾	74	112	102	†108½	7
Royal Dutch, N. Y.	..	..	86	56	123⅜	40⅝	64	44⅝	63¼	3.22
Savage Arms	..	..	119¾	39⅞	108⅜	8⅞	49½	37	37¾	2
Schulte Retail Stores	..	..	..	..	*134⅞	47	67½	49⅞	53⅝	3½
Sears, Roebuck & Co.	*124¾	*101	*233	*120	*243	51	162⅜	82⅛	153⅝	‡2½
Shell Trans. & Trading	..	..	..	..	90¼	29½	54¼	39¾	†56½	2.42
Shell Union Oil	..	..	..	..	31¾	12⅛	31	23¼	29¾	1.40
Simmons Company	..	..	..	..	64¾	22	93	55¾	92	3
Simms Petroleum	..	..	..	..	28½	6½	25¼	18⅛	24⅜	..
Sinclair Consol. Oil	..	..	67⅛	25¼	64⅛	15	35⅞	17⅜	35⅝	..
Skelly Oil	..	..	..	..	37⅛	8⅝	38¼	25	38¼	2
Sloss-Sh. Steel & Iron	94⅝	23	93⅛	19½	148⅛	32⅛	134	102	118	6
Standard Oil of Calif.	..	..	..	..	*135	47½	63⅞	53	63	2½
Standard Oil of N. J.	*488	*322	*800	*355	*212	30⅞	49	37¾	46⅝	‡1
Stewart-Warner Speed	..	..	*100⅛	*43	*181	21	110½	77¼	110½	6
Stromberg Carburetor	..	..	45¼	21	118¼	22⅛	74¾	44	58⅞	2
Studebaker Company	49⅛	15¾	195	20	*151	30½	87⅛	57	80	5
Do Pfd.	98⅛	64½	119⅛	70	125	76	127	121½	125	7
Tennessee Cop. & Chem.	..	..	21	11	17¼	6¼	17¼	10⅛	16⅛	1
Texas Company	144	74⅛	243	112	58	29	72¾	50	68½	3
Texas Gulf Sulphur	..	..	..	..	*184	32⅝	80⅝	62⅛	72¾	4
Tex. & Pac. Coal & Oil	..	..	..	..	*275	12	17⅛	12⅛	16¾	..
Tide Water Oil	..	..	225	165	*195	5⅛	36	19⅝	32¾	.80
Timken Roller Bearing	..	..	..	..	142½	28½	146½	112⅝	143½	4
Tobacco Products	145	100	82⅝	25	117⅝	45	118⅛	93	103	5
Do Class A	..	..	..	..	123⅞	76	128	109⅞	†114½	7
Transcontinental Oil	..	..	..	..	62⅝	1¼	10⅛	6¾	8¾	..
Union Oil of Calif.	..	..	..	..	58⅝	33	57	42¾	54	2
United Cigar Stores	..	..	*127⅞	*8¾	*255	42½	34⅝	22⅞	27½	1
United Fruit	208½	126½	175	105	*294	95¾	146¼	131½	141½	‡4
U. S. Cast I. Pipe & F.	32	9¼	31⅞	7¾	250	10½	273	235	†260	10
Do Pfd.	84	40	67½	30	125	38	137	115	†119	7
U. S. Indus. Alcohol	57¼	24	171½	15	167	35½	135	102⅛	135	5
U. S. Realty & Imp.	87	49¾	63¾	8	*184½	17	93⅝	61¼	79	4
U. S. Rubber	59½	27	80½	44	143¾	22½	63¼	27	41½	..
Do 1st Pfd.	123½	98	115½	91	119⅛	66⅛	109⅜	55	69¾	..
U. S. Smelt., Ref. & M'n.	59	30⅜	81⅛	20	78¼	18⅜	58½	39½	57	3½
U. S. Steel	94⅞	41¼	136⅝	38	160½	70¼	166½	132⅜	163¼	7
Do Pfd.	131	102½	123	102	141¼	104	147¼	138⅝	141⅞	7
Vanadium Corp.	..	..	..	..	97	19⅛	96	60	85⅛	3
Western Union	86¼	56	105½	53⅝	176	76	177½	139½	174	8
Westinghouse Air Brake	141	132½	143	95	*198	40	57⅝	42⅛	44¼	2
Westinghouse E. & M.	45	24¾	74⅞	32	94¾	38⅞	113¾	88⅛	108	4
White Eagle Oil	..	..	..	..	34	20	30¼	20⅛	30	2
White Motors	..	..	60	30	104½	29¼	43¾	30¼	37	1
Willys-Overland	*75	*50	*325	15	40¼	4½	32½	17¾	29⅜	1.20
Do Pfd.	..	..	100	69	123⅞	23	101½	92⅜	†97¼	7
Wilson & Co.	..	..	84¼	42	104⅞	4⅛	16	11	11¾	..
Woolworth (F. W.) Co.	*177⅞	*76½	*151	*81½	*345	72½	205⅝	175½	199¾	5
Worthington Pump	..	..	69	23⅛	117	19	44	28	41	..
Do Pfd. A	..	..	100	85⅞	98½	44	61	46¼	58	..
Do Pfd. B	..	..	78⅝	50	81	37	52	41	47½	..
Youngstown Sh. & Tube	..	..	..	..	100⅛	59¾	106⅞	83½	92¾	5

† Bid price. ‡ Not including extras. § In stock. * Old stock.

Securities and Commodities Analyzed, Rated and Mentioned in this Issue.

INDUSTRIALS

PETROLEUM

COMMODITIES

MINING

BONDS

RAILROADS

PUBLIC UTILITIES

WHAT IS THE INTRINSIC VALUE OF A STOCK?

(Continued from page 33)

improvements and additions to properties.

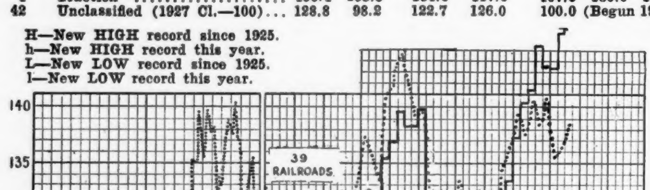
Stocks of companies that pursue a conservative, or even an ultra-conservative dividend program make more stable and better permanent investments than those in corporations pursuing the opposite policy. In the long run, therefore, the investor might better prefer small returns from a growing enterprise than liberal dividends. Funds paid out to shareholders cannot be recovered by the company, but those retained in the business still remain the property of the stock owner and will eventually revert to him, either in the form of increased returns in the future, or through steady price enhancement of his shares.

Note: The third and last installment in this series entitled: "How to Determine Which Stock of a Group Offers the Best Opportunities," will appear in the December 3rd issue.

THE MAGAZINE OF WALL STREET'S
COMMON STOCK PRICE INDEX
(1925 Closing Prices = 100)

Number of Issues in Group	Group	1928 Indexes (308 Issues) High	1928 Indexes (308 Issues) Low	Recent Indexes Oct. 13	Recent Indexes Oct. 20	1927 Indexes (264 Issues) Close	1927 Indexes (264 Issues) High	1927 Indexes (264 Issues) Low
308	COMBINED AVERAGE	147.6	109.2	145.6	147.6H	116.3	116.3	95.7
39	Railroads	144.6	119.5	136.3	138.5	132.0	140.2	98.5
2	Agricultural Implements	417.0	280.5	405.6	417.0h	300.0	(Begun 1928)	
2	Alcohol	177.6	135.1	170.2	170.3	172.1	175.3	82.1
12	Automobile Accessories	174.6	86.4	171.7	174.6H	91.6	96.8	75.6
17	Automobiles	122.6	79.0	121.9	119.0	89.8	89.8	70.1
2	Baking (1926 Cl.—100)	76.1	51.5	72.0	70.5	69.4	100.6	53.0
2	Biscuit	242.4	169.7	222.6	223.9	187.0	(Begun 1928)	
4	Business Machines	208.9	153.7	207.0	208.9H	159.1	160.2	108.5
2	Cans	176.8	117.2	171.6	170.6	119.9	119.9	77.3
4	Chemicals & Dyes	230.2	158.5	227.9	230.2h	166.1	168.9	132.0
2	Coal	108.0	81.8	94.8	94.6	108.0	(Begun 1928)	
12	Construction & Bldg. Material	119.3	94.4	116.7	119.3H	99.5	101.3	78.9
12	Copper	230.8	159.8	217.3	230.8H	177.8	179.5	105.9
2	Dairy Products	132.5	68.1	111.8	110.7	70.4	80.0	59.8
3	Department Stores	78.9	62.9	74.3	74.3	68.0	86.0	64.5
7	Drugs & Toilet Articles......	201.3	157.2	201.3H	199.4	162.0	171.2	147.3
5	Electric Apparatus	153.1	125.6	144.0	146.1	129.6	129.6	97.6
3	Fertilizers	99.4	78.4	92.0	95.8	84.0	85.7	47.8
2	Five & Ten Cent Stores......	116.4	98.0	116.0	115.5	106.8	111.5	69.6
3	Furniture	143.4	110.2	133.4	143.4H	127.4	127.4	89.1
5	Household Appliances	112.7	87.5	100.7	97.8	97.0	(Begun 1928)	
2	Mail Order	351.2	147.9	320.2	351.2H	149.3	152.3	82.8
4	Marine	96.5	66.8	79.7	77.0	74.9	118.4	69.5
5	Motion Pictures	237.7	98.3	214.7	221.9	102.9	120.3	96.8
36	Petroleum & Natural Gas.....	148.1	86.1	142.5	146.9	95.6	103.5	86.9
17	Public Utilities	175.6	127.9	174.0	174.0	129.5	132.5	93.1
10	Railroad Equipment	128.9	112.1	120.6	116.8	128.9	128.9	100.3
2	Restaurants	130.4	89.8	121.7	129.1	104.0	(Begun 1928)	
2	Shoe & Leather	231.4	138.3	186.3	179.7	138.3	153.3	69.8
2	Soft Drinks (1926 Cl.—100)...	214.0	152.9	210.5	208.4	152.9	(Begun 1928)	
11	Steel & Iron	131.4	86.3	129.6	131.4H	88.7	92.0	74.8
6	Sugar	93.7	72.8	72.8L	74.0	89.5	112.7	76.9
2	Sulphur	386.9	270.1	276.2	270.1 l	381.7	381.7	166.1
2	Telephone	147.6	120.8	136.2	138.3	133.8	127.1	104.6
4	Textiles	106.3	78.6	97.1	106.3h	79.0	106.5	71.9
7	Tire & Rubber	99.6	61.5	83.7	76.8	96.6	97.8	64.4
8	Tobacco	195.0	167.8	174.8	177.0	190.3	193.6	159.9
4	Traction	150.4	103.8	134.6	117.6	107.6	130.0	107.6
42	Unclassified (1927 Cl.—100)...	128.8	98.2	122.7	126.0	100.0	(Begun 1928)	

H—New HIGH record since 1925.
h—New HIGH record this year.
L—New LOW record since 1925.
l—New LOW record this year.



(An unweighted Index of weekly closing prices specially designed for investors. The 1928 Index includes 308 issues, distributed among 38 leading industries, and covers about 90% of the total transactions in all Common Stocks listed on the New York Stock Exchange. It is compensated for stock dividends, rights and assessments; and reflects all important price movements with a high degree of accuracy. Our method of making annual revisions in the list of stocks included, renders it possible to keep the Index abreast with evolutionary changes in the market, without impairing its continuity or introducing cumulative inaccuracies.)

ANSWERS TO INQUIRIES

(*Continued from page* 52)

shown satisfactory expansion, but the frequent issuance of additional stock for the purpose of financing acquisitions, has had the effect of retarding per share earnings to some extent. Subsidiaries of the company serve various territories in New Mexico, Arkansas, Missouri and the Rocky Mountain territory. These various properties, however, are rather widely situated, a fact which does not permit of the economies of a super power hook-up. Nevertheless, there is little room for criticism in the light of the substantial gain both in gross and net revenues registered during the past year. For the twelve months ended September 30th, 1928, the balance available for the common stock was in excess of $1,574,800 after preferred dividends and all charges not including depreciation. On this basis, earnings were equal to approximately $3.60 per share on the average number of shares outstanding during this period. The common stock is being steadily increased due to the policy of paying dividends partly in common stock and earnings thus, of a necessity, must be computed on the basis of the average amount of stock outstanding to arrive at a fair estimate of earning power. The policy of paying a portion of dividends on common stock has enabled the company to use the resultant savings in cash for development purposes. It was reported that thus far in 1928 over 4 million dollars has been expended. This figure represents approximately 56% of gross earnings. The company has frequently been mentioned in connection with prospective mergers, although nothing has developed along that line. Eventually, however, that phase of the situation might contribute substantially to the value of common stock. On the whole, therefore, it is our feeling that the shares, while not undervalued at prevailing quotations represent an equity in a sound, capably managed, and growing public utility enterprise and as such, we would be willing to advise retention of present commitments, by those investors in a position to employ a measure of patience.

H. F. WILCOX OIL & GAS

Recently I inherited 75 shares of Wilcox Oil & Gas, listed on the New York Curb, but I am unable to find any current information on the stock. Will you please let me know the general outlook for this company, whether it is a prospective dividend-payer in the near future, etc.?—L. K. H., Vincennes, Ind.

H. F. Wilcox Oil & Gas Company engages in the acquisition of lands containing oil, gas and minerals and in the development of these lands. At last reports the company owned approximately 305,000 acres of proven and unproven leases, with other additional leases pending in various oil ter-

ritories. Properties include a small refinery, three casing head gasoline plants, an 80,000 barrel storage tank, gathering lines and filling stations throughout the Southwest. Capitalization is represented by 427,896 shares of stock having no par value and there is outstanding an issue of 7% notes due in 1930, totalling $725,000. A review of the company's past record reveals considerable irregularity of earnings and in recent years, profits applicable to the stock have ranged from 15 cents a share in 1924 to $2.50 per share in 1925. Last year, however, apparently in reflection of the demoralized conditions in the oil industry, earnings were equivalent to only 70 cents per share. In the first six months of the current year net income after all charges was equal to 9 cents per share, and the failure of the company to effect any improvement in earnings recently culminated in the omission of the quarterly dividend. At prevailing quotations, the shares are selling but slightly above their low level for the year, and it is possible that the recent unfavorable developments have been amply discounted. On the other hand, prospects do not favor a marked improvement in earnings during the near future, and on the whole, we are not inclined to feel that the general record of the company and present outlook offers any incentive to retain at this time. Under the circumstances, your funds could be employed, in our judgment, to much better advantage elsewhere.

AMERADA

Is the $2 dividend paid on Amerada common secure? If so, would you approve continued retention of 200 shares of this stock with the hope that eventually it will participate in the long expected run up in the oils? I paid $28 for my stock, so that my present income is over 7%?—R. L. H., Old Forge, Pa.

The Amerada Corporation has the distinction of being one of the few companies engaged solely in the production of oil able to maintain operations on a sufficiently profitable basis to permit the continuation of dividend payments. In that respect, the company has been aided by increased production. Operations are confined mainly to the Mid-Continent field, and in 1927 the output of crude oil and gasoline showed an increase of nearly 100% as compared with production in the previous year. Thus, in spite of the sharp decline in crude oil prices, the company was able to show the equivalent of $4.02 per share on the 922,075 shares of common stock outstanding. In 1926 the equivalent of $6.05 was earned, but in that year conditions were much more favorable. In the first six months of the current year, earnings failed to register any improvement, but in spite of the fact that per share results were nearly 50% below those of the same period of 1927, $1.15 per share was available for dividends of $1. The company's financial position is sound and given the benefit of more stabilized conditions in the oil industry, earnings should enjoy rapid

recovery. In passing, it seems important to mention the fact that the company has entered into the South American field and is reported to control leases on approximately 700,000 acres of supposedly oil content property in Venezuela. The company's ability, to satisfactorily weather what appears to have been the worst period of unfavorable conditions in the oil industry, inspires confidence and if you are in a position to hold a more speculative issue of this type, we feel that there is considerable to justify such procedure for longer pull appreciation.

BROWN SHOE

The stock of Shoe is so slow to move upward that I am planning to dispose of it. I would greatly appreciate your opinion of this proposed action on my part. The stock cost me $49 a share and was bought almost a year ago. What are the hopes for an increased dividend payment? —B. K. L., Waycross, Ga.

Brown Shoe is an old established enterprise, having been organized in its present form in 1913 as an outgrowth of a business originally established in 1879, and ranks as one of the world's leading shoe manufacturers. Latest balance sheet discloses a strong financial position, and earnings have shown comparative stability over a long period of years, results in 1927 being equal to $6.24 a common share against $4.00 a share in 1926 and $6.32 a share in 1925. Production capacity has been stepped up from 13 million pairs of men's, women's and children's shoes annually prior to 1928 to 20 million pairs at present. However, while sales in the current year to date have ranged higher than last year, due to generally higher prices of raw materials earnings in the six months ended April 30, 1928, equalled but $1.32 a common share against $1.47 a share in the same period of the preceding year, and while the company normally enjoys its greatest prosperity in the second half of the fiscal year, indications are the net income this year will fall slightly below that reported for the twelve months ended October 31st, 1927. Nevertheless, the long range outlook seems more constructive than otherwise. The shares are not a speculative favorite and market price movements are, therefore, not particularly rapid, but a fair income return is afforded at existing levels, and prospects of appreciation over the longer term seem favorable. We believe retention justified, although increased dividends do not seem imminent.

S. S. KRESGE

Would you advise the purchase of S. S. Kresge? I have been informed that a stock dividend will be declared by this company within the next few months. Is this probable? If a split-up is made, is the present stock liable to sell substantially higher or has a stock dividend been discounted already?—L. A. P., Norfolk, Va.

S. S. Kresge ranks as the second largest chain store organization in its particular field, the record of which has been one of steady growth, both in

sales volume and net income, since inception of the present company in 1916. Expansion in 1927 was of unprecedented proportion, when profits were equal to $3.76 a share compared with $3.36 a share in 1926. Further progress has been registered in the current year, with present estimates of earnings in the full 1928 year being placed a figure to equal around $4.40 a share. Financial position is impregnable, and in view of a large surplus as revealed by the company's latest balance sheet action is likely in the not distant future regarding a stock dividend of some proportion. However, present prices of the shares place rather a liberal discount on future prosperity of the enterprise, and the stock is therefore attractive more for the extreme long pull than for the near term.

ASSOCIATED DRY GOODS

Would you recommend the purchase of Associated Dry Goods at current market levels? I have in mind carrying some of this stock for two or three months if there is a prospect of its favorably reflecting the large volume of business usually done during the Christmas season.—J. B. C., Roanoke, Va.

Associated Dry Goods functions as a holding company, controlling an important chain of department stores, including Lord & Taylor and James McCreery in New York, one store in Newark, N. J., two in Buffalo and one each in Louisville and Minneapolis. Earnings have ranged slightly lower in recent years but have, on the whole, shown marked stability, profits in 1927 being equal to $3.39 a common share against $4.21 a share in 1926. Definite information bearing on operating results in the current year to date is not yet available, but with retail buying power continuing at a high level, indications are that net in the full 1928 will compare favorably with 1927, with reasonable possibilities of exceeding last year's profits. Financial position is strong, by virtue of which the company is able to distribute the major portion of profits in the form of dividends. The stock commends itself as an income medium and seems to offer well defined prospects of enhancement in quoted value over the reasonably long term.

ELECTRIC STORAGE BATTERY

I have been told to buy Electric Storage Battery around 88. It is my understanding that this company supplies more than one-half the batteries used by Ford and a large percentage of those used by Chrysler and General Motors. Considering the steadily growing sales of these three manufacturers, isn't it likely that the earnings of Electric Storage Battery will show a substantial increase next year. Would you advise the purchase of 300 shares?—J. E. C., Woodward, Okla.

In our judgment, the shares of Electric Storage Battery Company common stock afford you an attractive opportunity to place a portion of your funds in a sound common stock issue yielding, by comparison with many other industrial issues, a liberal return and offering the added inducement of well defined possibilities for market price ap-

preciation. The company is a leader in the manufacture of storage batteries and its two principal products "Willard" and "Exide" are well known and enjoy an excellent reputation. The company finds its principal customers among automobile manufacturers and is understood to have contracts with the General Motors Corporation, Chrysler Corp., the Ford Motor Car Company and other large manufacturers. The company does not publish interim reports, but it seems reasonable to believe that the unprecedented volume of production which has been recorded by the automobile industry, has contributed substantially to the sales and earnings of Electric Storage Battery. While closely allied with the automobile industry, earnings are not solely dependent thereon, and numerous other industries such as radio, power stations, railway equipment, etc., are included among the company's customers. Dividends have been paid on the common stock for the past 27 years without interruption and the present rate has been maintained since 1923. The company's financial position was exceptionally strong at last reports and we are of the opinion that earnings in the current year will show an appreciable gain over results in 1927 when the equivalent of $7.08 per share was earned on the common stock. From the foregoing, a constructive attitude seems fully justified.

ALLIS-CHALMERS MFG.

Can you give me any information concerning the rumored merger between Allis-Chalmers and Westinghouse? Following your advice, I bought 50 shares of Allis-Chalmers several months ago paying 116. Naturally I am well satisfied with the price appreciation and the present yield. Do you think, however, that the time has come to accept my profit?—C. A. M., Pittsburg, Kansas.

The common stock of Allis-Chalmers Mfg. Co. represents an equity in one of the most important and successful manufacturers of machinery and machine equipment. Reviewing the past record of the enterprise, consistent expansion both in sales and profits is revealed. Moreover, improvement has not been confined solely to earnings, but in spite of a substantial expansion program necessitating the outlay of considerable cash, the financial position of the company is excellent. Earnings in the past five years have averaged $8.44 per share annually of which less than 60% has been distributed in dividends. Early activities were confined to the manufacture of farm tractors, but recent years have witnessed a broadening in the scope of activities with the result that an exceptionally satisfactory degree of diversification has been obtained which gives the company no little advantage. Output now includes gas, oil and steam engines, steam and hydraulic turbines, generators, motors and transformers, together with various types of machinery for use by flour mills, saw mills and other major industries, to mention but a few of the company's products. Sales in the current year have been running about 5% ahead of 1927 and unfilled

orders as of October 1st, were only slightly less than $10,000,000. Earnings were equal to $8.55 per share in the first nine months, and it is regarded as quite likely that results for the full year will show over $11 per share on the 260,000 shares of common stock now outstanding. Therefore, while the shares seem to be selling about in line with their actual value on the basis of current earnings, present quotations do not appear to place a too liberal premium on the company's excellent future prospects and we would have no hesitation in endorsing continued retention.

POSITION AND OUTLOOK FOR FOUR LEADING MOVING PICTURE COMPANIES

(*Continued from page* 41)

is now cashing in. Through Fox Theatres Corp., a separate company controlled by the same interests, additional exhibiting outlets are obtained throughout the country in the largest and most modern theatres in leading cities. This latter concern has recently acquired the Poli circuit of 20 theatres in New England and has under construction a number of large theatres in big cities, some of which are near completion. Fox Theatres Corp. now controls more than 325 individual theatres and is considering the acquisition of an additional 150 to 200 theatres in the Greater New York area. These additional theatres and the greater output of feature films will add substantially to the income of Fox Film Corp.

Fox Film Corp. has offered to its Class "A" and Class "B" stockholders of record October 1, 1928, right to subscribe to 153,444 shares of Class "A" stock at $85 per share in the ratio of 1 new share for each 5 shares held. This will bring in approximately $12,500,000 to be used partly to pay off $7,000,000 mortgages, $2,100,000 in bank loans, and to cover $1,500,000 expenses of construction of complete sound studio for production of "Talking Pictures." This financing will put the corporation in a strong working capital position with no bank loans and its sole capitalization consisting of common stock.

Net consolidated profit for the six months ended June 30th, 1928, was $2,646,490 against $1,371,289 for the same period in the previous year, equivalent to $3.45 and $2.72 earned on the combined Class "A" and "B" stocks in the respective years. For the full year 1927, net earnings were equal to $6.24 on 500,000 shares of stock outstanding. This year, net is running about double that of last year, so that even on the greatly increased number of shares now outstanding—920,660 shares "A" and "B"—earnings per share may even be slightly greater.

At its current price of about 100, *the stock is selling on a higher basis relative to earnings than either Paramount or Loew's, but certain special*

conditions at present give the stock greater speculative possibilities.

Warner Brothers Pictures, Inc. The spectacular rise in the Class "A" and common stocks of this company have made the concern the cynosure of all speculative eyes. The pioneer in the development and perfection of talking pictures through its Vitaphone device, the company is now reaping tremendous benefit from the sudden success of its talking pictures and its early start in the production of these. Responding to the almost fabulous increase in earnings and the changed position of the company in the industry, the common stock and the Class "A" stock which is convertible into common share for share have soared to great heights. Added impetus was given through the mergers that were being negotiated, Warner Brothers stock being advanced so that these could be advantageously effected.

The record of Warner Brothers earnings previous to this year have been miserable; in the year ended August 27, 1927, amounting to only $30,427 and for the period previous to this a large deficit was shown. From the low earnings of 1927, steady improvement was made and for the nine months' period ended May 26, 1928, net profit was reported as $1,123,947.

Past earnings, however, mean very little in view of the recent success of the Vitaphone pictures, and the mergers being effected with Stanley Company of America and First National Pictures, Inc. Warner Brothers' earnings during the summer were running at the rate of $500,000 per month and earnings of $800,000 per month were indicated subsequently.

The complete plans on the merger have not yet been announced, especially in reference to First National Pictures, Inc., a large block of the stock of which is held by the Fox Film Corp., so that no estimates can safely be made on the earning possibilities of the new stock. Moreover, other concerns may be taken in before long. The three companies considered in the merger at present will produce a $200,000,000 corporation under control of Warner Bros. Pictures, Inc. The annual gross revenues are expected to be in the neighborhood of $100,000,000. First National Pictures, Inc., had gross income of $23,802,437 and net of $1,156,665 after interest charges for the year ended Dec. 31, 1927, while Stanley Co. of America had gross of $33,930,528 and net of $4,950,415 for the same period.

Stanley Co. had not been doing so well this year, and dividend on its stock was omitted. Stanley is not a producer of pictures, and its film contracts were made on such an unfavorable basis that the mounting operating costs were the chief reason for the company's poorer showing. The acquisition of the company by Warner Bros., together with the acquisition of

Bonds Called for Redemption

Company	Rate	Maturity	Amount	Price	Redemption Date
Abitibi Power & Paper notes	6%	1931	$4,000,000	100	Oct., 1928
Aluminum Co. of Amer. deb	5%	1952	$20,000,000	105	Sept., 1928
Amer. Smelt. & Ref. 1st ser. B	6%	1947	$5,000,000	107½	Oct., 1928
Amer. Type Founders 1st 15-yr. deb.	6%	1940	$179,000	105	Oct., 1928
Ann Arbor R. R. 5-yr. sec. nts	6%	1930	$100,000	101	Sept., 1928
Argentine Nation internal	4½%	a1888	$410,000	100	Sept., 1928
Argentine Gov't int	4½%	a1888	$410,000	100	Sept., 1928
Argentine Gov't cnv	4½%	a1889	$550,000	100	Oct., 1928
Associated Oil 12-yr. notes	6%	1935	$1,230,000	102½	Sept., 1928
Chesapeake Corp. 1st cv.	7½%	1942	$10,000	110	Nov., 1928
Childs, R. E., ser. "A" & "B" gold bds.	—	1929–32	V.B.	110	Sept., 1928
Chinese Gov't	5%	1952	$427,000	100	Sept., 1928
Cities Service ref. deb	6%	1966	$18,621,000	104	Nov., 1928
Comm'lth Light & Pow. 1st	6%	1947	All bonds	105	Nov., 1928
Computing Tab. & Rec.	6%	1941	$1,000,000	N.S.	Jan., 1929
Cuba (Rep. of)	5%	1944	$990,000	100	Sept., 1928
Cuban Dominican Sug. 1st l. s. f.	7½%	1944	$114,000	110	Nov., 1928
General Asphalt conv. deb	6%	1939	$85,000	105	Nov., 1928
Glidden Co. 1st ser	6%	1929–40	$2,800,000	102	Oct., 1928
Goodrich, B. F., 1st mtge	6½%	1947	$536,000	107	Nov., 1928
Gt. Brit. & Ireland (Un. King.) Victory Bonds, Bank of Eng. issue	4%	1976	$11,775,000	100	Sept., 1928
Gt. Brit. & Ireland (Un. King.) Victory Bonds, P. O. issue	4%	1976	$518,000	100	Sept., 1928
Houston Gulf Gas 2 yrs. sec. nts	6%	1929	$2,500,000	100	Oct., 1928
Houston Oil of Tex. 10-yr. notes	6½%	1935	$7,354,000	103½	Oct., 1928
Hygrade Food Prod. 1st & ref. cv	6%	1937	$1,000,000	105	Dec., 1928
Locomobile Co. of America 1st	6%	1942	$75,000	100	Sept., 1928
Marconi Wireless Tel. Ltd., deb	6½%	1932	All bonds	105	Oct., 1928
Marland Oil ser. nts. ser. "A"	5%	1929	$7,500,000	100.245	Dec., 1928
Mid-Cont. Petrol. 1st 15-yr. s. f.	6½%	1940	$144,000	105	Sept., 1928
Northern Ohio Power 10-yr. ser	7%	1935	$3,499,000	100	Nov., 1928
Oil Well Sup. Inv. 5-yr. coll. tr. nts.	5½%	1932	$2,400,000	102	Sept., 1928
Panama (Rep.) ext	5%	1944	All bonds	105	Nov., 1928
Panama (Rep.) ext. sec	6½%	1956	All bonds	103	Dec., 1928
Panama (Rep.) ext.	6½%	1961	All bonds	103	Dec., 1928
Paris-Orleans R. R. Company	7%	1954	All bonds	103	Sept., 1928
Pathé Exchange s. f. deb	7%	1937	$158,000	109	Nov., 1928
Pitts. Steel notes	6%	1929–30	$2,000,000	100	Sept., 1928
St. L.-San Fran. Ry., inc. mtge. "A".	6%	1960	$35,172,000	100	Oct., 1928
Spanish River Pulp & Paper Mills 1st mtge.	6%	1931	$1,456,000	110	Oct., 1928
Spanish River Pulp & Paper mtge. ln. notes	6%	1929	$493,000	102	Mar., 1929
Tenn. Copper & Chem. 15-yr. cv. deb., Ser. "A"	6%	1941	$25,000	105	Oct., 1928
Transcontinental Oil 5-yr.	7%	1930	$4,000,000	101	Oct., 1928
Utah Lt. & Power pr. l	5%	1930	$746,000	100	Jan., 1929
Willys-Overland 1st	6½%	1923	$1,000,000	102	Sept., 1928

V.B.—Various Bonds. a—Year of issue.

First National Pictures, Inc., will obviate this unfavorable situation to the mutual benefit of both, as Warner Bros. was chiefly a producing concern owning seven theatres but only two of importance. First National Pictures, Inc., is itself a producer of feature films and in addition controls about 3,000 theatres.

Unquestionably, Warner Brothers Pictures, Inc., after the present merger plans have been successfully completed, will constitute one of the leading concerns in the industry, but considerable work remains to be done in the internal reorganization of the company before it functions smoothly and effectively. Concerning its present advantage in the talking picture field, the other important producing concerns are now at work on their own presentations, so that within reasonable time all of them will be on a par in this respect.

The common stock of Warner Brothers Pictures, Inc., in view of the above, is more speculative than the stock of any of the other three leading concerns in the industry, and its future depends on the degree of success the new company has. The volatile nature of the stock and further favorable developments may easily put the stock price to higher levels. Incidentally, the Class "A" stock is being called Dec. 1, 1928, at its redemption price of $17 per share, so that it is important that this stock be converted into the common stock which is currently selling for about $111 per share.

UTILITIES POWER & LIGHT

(*Continued from page* 31)

this deal, gas and electric customers are about equal numerically, 227,500 as against 230,000 at the close of 1927.

Utilities Power & Light Debenture 5½s, listed on the New York Stock Exchange, and the 7% cumulative preferred stock available over the counter, are selling at prices to yield slightly over 6% and 7% respectively. The only issues in line to share in potential gains in profits are the Class A stock, on the New York Stock Exchange, and the Class B voting trust certificates on the New York Curb, the former currently around 40 and the latter about 29. The Class A seems preferable at this stage because of its higher and preferential dividend and the greater participation equity per share as long as the number of outstanding shares remains smaller. It is speculative in character, but in addition to the profit possibilities already pointed out, there are factors to consider such as the benefits derived from centralized financial, engineering and purchasing power, the increasing fees accruing to the holding company for engineering services, and the ever present possibility that the properties or some particular group thereof will at some time be the subject of negotiations for acquisition by some larger utility organization.

Over-the-Counter

IMPORTANT ISSUES

Quotations as of Recent Date

	Bid	Asked
Aeolian Co., pfd. (7)	70	75
Aeolian Weber	10	25
Aeolian Weber, pfd. (7)	45	55
Alpha Port. Cement (3)	44	46
Pfd. (7)	117	..
American Book Co. (7)	133	138
American Cigar (8)	135	142
Pfd. (6)	109	..
Amer. Dist. Teleg. (4)	100	106
Con. Pfd. (7)	110	115
Amer. Meter Co. (5)	111	117
Atlas Port. Cement (2P)	39	41
Pfd. (2.66)	46	..
Babcock & Wilcox (7)	118	122
Barnhart Bros. & Spindler:		
1st Pfd. (7) G	109	..
2nd Pfd. (7) G	109	..
Bliss (E. W.) Co. (1)	27	28
1st Pfd. (4)	58	..
Cl. B Pfd. (0.60)	10	11½
Bohack (H. C.) Co. New (2½)	64	69
1st Pfd. (7)	103	107
Central Aguirre (6P)	135	138
Colt Fire Arms (2)	50	53
Congoleum Co. Pfd. (7)	104	107
Continental G. & E.	..	..
Prior Pfd. (7)	105	106
Crocker-Wheeler Elec.	120	130
Pfd. (7)	100	105
Dixon (Jos.) Crucible (8)	165	175
Fajardo Sugar (10)	120	123
Franklin Rwy. Sup. (4)	52	..
Helme, Geo. W. (4)	115	117
Pfd. (7)	125	140
Hercules Powder (8P)	260	270
Pfd. (7)	122	125

	Bid	Asked
Knox Hat (5P)	230	250
Pr. Pfd. (7)	106	111
Part Pfd. (3)	65	70
Leonard, Fitzpatrick, Mueller (1.5)	28	33
Pfd. (8)	108	115
Ludlow Valve Mfg. (3.75)	45	52
Manhattan Rubber (2.5)	46	49
Metropolitan Chain Stores:		
New Pfd. (7)	113	117
National Sugar Ref. (7)	168	170
Neisner Bros. Pfd. (7)	157	160
New Eng. Tel. & Tel. (8)	141	144
Phelps Dodge Corp'n (8)	195	200
Remington Arms	27	..
1st Pfd. (7)	92	98
2nd Pfd.	73	..
Royal Baking Powder w. i.	46	48
Pfd. (6)	105	107
Ruberoid Co. (4)	109	114
Savannah Sugar (6)	130	140
Pfd. (7)	114	116
Shaffer Oil & Ref. Pfd. (7)	92	..
Singer Mfg. Co. (10P)	525	550
Singer, Ltd. (¼)	6¼	6½
Superheater Co. (6P)	150	155
Wash. Ry. & Elec. (5)	400	..
Pfd. (5)	100¼	100½
White Rock 2nd Pfd. (10)	175	190
1st Pfd. (7)	100	103
Woodward Iron (4)	71	75
Pfd. (6)	90	..

G—Guaranteed as to principal and dividend by Amer. Type Founders.

P—Plus extras.

THE FUTURE OF RADIO

(Continued from page 19)

The Future "One of the ancient Greeks held that two thousand souls was the outside limit for the electorate of a democracy, that being the greatest number that could be reached and swayed by an individual voice. Yet President Coolidge has more than once addressed an audience of thirty million listeners. *We shall probably by* 1932 *not only hear but see* the next President by radio. This is one of the higher achievements of radio, and in that sense is a contribution to democracy.

"Today, radio, though still expanding because of new inventions improving its uses and widening its possibilities, is nevertheless entering the position of a stabilized industry. While the wonder of it never ceases, and while it goes right along figuratively taking rabbits out of a hat, the business that uses or sells two billion dollars' worth of radio supplies in five years cannot be compared with a scheme for getting gold out of the ocean.

"Our everyday interest in broadcasting is too often apt to blind us to radio progress in other directions. Thus in marine radio, we have established a splendid system of communications to and from ships. Today marine radio is carried on with the precision of the usual telephone service, in that we have so-called marine centrals or up-to-date land stations that can send and receive from several ships at one time through multiplex transmitters and receivers, together with a large operating staff. A typical large ocean liner may send two thousand radiograms in the course of a single trip, without ever being out of direct touch with each side.

"On the transoceanic side, the RCA world-wide wireless service today offers direct communication between New York City and England, France, Germany, Portugal, Italy, Holland, Belgium, Sweden, Norway, Poland, Turkey, Liberia, the Argentine, Brazil, Colombia, Chile, Venezuela, Porto Rico, the Dutch West Indies and Dutch Guiana. From San Francisco, circuits reach to Hawaii, China, Japan, the Philippines, Java and French Indo-China. Future projected networks will link this country with many others.

"Through constant development and refinement of the equipment, together with the rounding out of our personnel and methods of handling radiogram traffic, we have placed both the marine and the transoceanic radio branches on a sound and profitable basis.

"However, the next step must be to meet the British challenge for supremacy. It is now apparent that Great Britain has unified her cable and radio interests, affording in war and peace communication by British circuit to practically every foreign port and principal city in the world.

"The American answer to this can only be made by submitting the great communication companies, both cable and radio, to proper Governmental regulation as to rates while exempting them from the operation of the anti-trust laws and permitting unification, thus meeting the thrust of unification abroad.

"Let us not overlook the fact that combined effort is required in any com-

munication system. Today we realize that no communication system can get far unless it has close affiliations with other systems.

"The world is rapidly becoming just a neighborhood. Our radiograms originate back in the very cities and towns of the United States. We must have the cooperation of the telegraph companies to bring those radiograms to our traffic offices. On the other side, we must have the cooperation of not only radio companies, but also telegraph companies to distribute those radiograms. Hence the importance of a close working arrangement between radio, telegraph and even cable companies if we are to maintain our lead in world-wide communications.

"We of the radio industry are proud of our achievements. Yet we realize that there are many problems and obstacles ahead of us in the path of continued progress, although those problems and obstacles are small compared with those surmounted in the past.

"Government attitude, perhaps more than any other factor, will be the greatest problem confronting us. We must have a sympathetic, helpful attitude from our Government, for the radio industry depends upon the necessary freedom of the air."

We might go on and on quoting General Harbord, for he spoke at great length regarding the present and future of the radio industry. In broadcasting alone, the radio industry has many years of profitable trade ahead. It is estimated that only between 8,000,000 and 10,000,000 homes, out of 26,000,000, are provided with radio sets. Even when most homes are provided with radio sets, there will be frequent replacements, for radio, as with automobiles, has its improvements which cause the average family to buy a new set every so often. The sale of vacuum tubes for radio sets assume enormous proportions. It is estimated that about 50,000,000 vacuum tubes will be made this year to meet the requirements of old and new sets, Television, or sight for "lookers-in" just as we already have hearing for listeners-in, will soon be added, which will mean the story of broadcasting all over again, since most families will want to see the pictures placed on the air.

Radio has multiple uses. It has already appreciably widened the manufacturing possibilities of the electrical industry with its gross of a billion and a half yearly. Its broadcasting of sound at present gives added use and revenue to many thousands of miles of telegraph and telephone wires. Through the transmission and reception of still pictures it is creating a sub-industry allied to photography and the newspaper. Incidentally, almost, radio has saved an industry it was threatening with extinction, that of phonographs, representing a yearly output of $61,000,000, by the adaptation of that instrument to electrical or the radio process.

As indicated by General Harbord, the possibilities of radio in science, commerce, and home use are as limitless as time and space.

San Francisco Stock and Bond Exchange

THIS table is published regularly for the convenience of those of our subscribers and readers who are, or may be, interested in leading Pacific Coast securities.

Bank and Public Utility Stocks

		1928		Last Sale
	Div. Rate	High	Low	Oct. 25
Anglo & London Paris Nat. Bank	$10.00	295	225	246
American Company	4.00	220	130	145
Bancitaly Corporation	2.24	220¼	100	120¾
Bank of Italy	5.24	311½	125	203⅛
East Bay Water A, Pfd.	6.00	99	84⅞	95¾
Great Western Power Pfd.	7.00	106⅞	103¼	105
Pacific Lighting	3.00	96⅝	72⅛	75½
Pacific Telephone & Tel. Pfd.	6.00	125	113½	120½
Pacific Gas & Elec.	2.00	53⅞	43⅞	49⅞

Industrial and Miscellaneous

	Div. Rate	High	Low	Last Sale
Atlas Imperial Diesel Engine "A"	1.50	87¾	31	72
Byron Jackson Pump Company	1.60	108⅛	31⅝	96
California Packing	4.00	81½	69⅛	75¼
Caterpillar Tractor	1.40	84⅝	53	81¼
Clorox Chemical Company	...	49	30½	47
Crown-Zellerbach Corp. cm. vtc.	...	29¾	24	23¾
Dairy Dale Company "A"	1.50	32¾	23	26½
Dairy Dale Company "B"	0.75	31¼	17½	24
Firemen's Fund Insurance	5.00	127	110	113
Foster & Kleiser (cm)	1.00	19	12	13¼
Golden States Milk Prod.	1.60	64⅞	33	58
Hale Brothers	2.00	31	24¾	25
Hawaiian Coml. Sugar	3.00	56	46	51
Hawaiian Pineapple	1.80	61	41	57
Home Fire & Marine	1.60	49¼	36½	36½
Honolulu Cons. Oil	2.00	43	35	38⅛
Illinois Pacific Glass "A"	2.00	62	42	50½
Kolster Radio Corp.	...	77	30	72⅜
North American Oil	3.60	45	36	43
Oliver United Filters, Inc., "A"	2.00	56⅛	39	49
Oliver United Filters, Inc., "B"	...	55¾	38⅛	48⅛
Paraffine Common	3.00	109½	79	83½
Richfield Cons. Oil	1.00	52	23¼	48½
Schlesinger A Common	1.50	27¼	20	23
Shell Union Oil	1.40	30⅛	24	30
Southern Pacific	6.00	128⅛	118¼	122
Standard Oil of Calif.	2.50	63¼	53	62½
Union Oil Associates	1.99	57½	41⅛	52½
Union Oil of California	2.00	57⅛	42½	52¾
Yellow & Checker Cab "A"	4.00	58¾	48½	50

THE STORY OF A SUCCESSFUL INVESTOR

(*Continued from page* 45)

follow a new course. I became acquainted with the financial pages of the newspapers, investment periodicals and other reliable sources of information. Soon I began to understand the difference between speculation, specvestment, the long and short pull and various other financial terms. I observed that the character of the security varied according to the different methods of operation one cared to follow.

A New Beginning

With the long pull investment policy, I entered the field of investment for a second time. Remembering Horace's *Carpe Diem*, I tried to seize the day and opportunities as I saw them. My salary gradually was increased, and through the partial payment plan I began to buy a few sound utility stocks and those of conservative and successful industrial concerns who showed a long and favorable earning record.

I was truly an odd lot operator for I bought mostly in two- and three-share lots. Later on as I became better versed in the intricacies of Wall Street I trekked the financial path more boldly by increasing my holdings to five or more shares. To be in debt for good stocks I considered a good policy, and I was always in debt on the partial payment plan.

As time passed I became more capable of understanding the meaning of those volumns of big figures which the annual statements of corporations contained. My studies of financial matters enabled me to grasp more of the significance of corporate earnings and their relation to dividends and market price. My conclusions were based very largely on intrinsic merit of each security together with a consideration of the prospects of the industry in

question and the position of individual companies within that industry. The more I investigated the more it became evident that to invest my savings on any other basis than personal knowledge was foolhardy. Tips and free advice, that I had followed heretofore, had in the end proved most costly.

The Depreciation Reserve

About this time the idea dawned on me that all good corporations annually set aside a certain amount of their profits for depreciation. If this was good for a large corporation I decided it would also be a logical course to follow for a small investor like myself. I believed that 4% was not sufficient for my money, because I could get this much interest without putting the hours of study on the subject of investing as I was doing. At the same time I knew from previous experience that excessive returns were also out of consideration. After giving the matter sufficient reflection I concluded that 6% was a good safe return and from graphs I had, I knew money invested at 6% gradually grew in a satisfactory manner, especially if the dividends were immediately reinvested.

My method, as mapped out, is to attempt to get 6% on the money I have invested, and in case my actual return is more—which has been true for the past few years—I deduct the difference from the purchase price of the stock. Through this method I regularly reduce the actual cost of my stocks, little by little, thereby making them authentic depression-proof stocks. Today I have $25,000 put aside in good stocks. My future plans for Financial Independence at the age of fifty are quite simple. Annually $1,000 is put aside from my salary for investment. I find I can invest in sound stocks so that my interest yields about 8% per annum. This allows as a rule 2% for the depreciation fund.

According to the accompanying chart my principal amount will increase to over $72,000 by the time I reach the age of fifty years. Allowing for depreciation at the same rate over the following thirteen years, this fund will amount to over $9,500. If, however, my investments continue to improve in value, I will be able to add this amount to my investment which in turn will total over $81,000. In case, however, conditions should be reversed I still have over 11% allowance for depreciation. This I consider ample when I take into consideration that I own stocks like American Tel. & Tel. Co. at $120. North American Common (new stock) at $21.50, North American Preferred at $34.00, Standard Gas & Electric at $32.00, Reading Common at $49.00, Standard Oil of Indiana at $55.00, Westinghouse Electric at $58.00, and other stocks in the same proportion.

Thus I feel confident of reaching Financial Independence at the age of fifty through a conservative long pull investment plan plus an insurance through the medium of my depreciation fund.

New York Curb Market

IMPORTANT ISSUES

Quotations as of October 25

Name and Dividend	1928 Price Range High	1928 Price Range Low	Recent Price
Albert Pick Barth wi.†	12½	8	8
Aluminum Co. of Amer.	197¾	120	139
Aluminum pfd. (6)	110¼	105⅛	107
Amer. Cigar (8)	162½	132	137
Amer. Cyanamid "B" (1.40)	53⅛	30⅝	38
Amer. Cyanamid pfd. (6)	103	95	98⅛
Amer. Gas Elec. (1)‡	184⅛	117⅛	181
American Rayon Products	24	13	16
Amer. Super Power A (1.2)†	56	33⅝	45⅛
Assoc. Gas Elec. "A" (2¼)	56¾	47	50¼
Celotex Co. (3)	69¾	49	72⅝
Centrif. Pipe (0.60)*	12½	8¼	9¼
Cities Service New (1.2)†	72⅛	54	70⅛
Cities Service Pfd. (6)†	103½	94½	99¾
Cons. Gas of Balt. (3)	92⅞	67⅛	85⅛
Consolidated Laundries (2)*	22⅜	14	22⅜
Durant Motors†	18⅞	9⅛	16
Elec. Bond Share (1)†	139½	76	114
Elect. Investors† (3.50 stk.)	79⅞	40⅛	65⅝
Fajardo Sugar (10)	165⅛	116	120
Ford Motor of Canada (15)	698	510	605
General Baking*	17	6½	10
General Baking Pfd.*	86	73⅝	75⅝
Glen Alden Coal (10)†	169	148½	149
Gulf Oil (1.5)†	148½	101⅛	135½
Happiness Candy Stores (50)	9⅜	5⅜	5½
Hecla Mining (0.60)	18	13	15⅝
Hygrade Food Products	71	25⅛	50
International Utilities B	19½	6¾	13½
Land Co. of Florida†	25	10⅛	12⅜
Lion Oil Refining (2.25)*	41	20	42
Lone Star Gas (2)	59⅞	48⅛	56⅝
Metro Chain Stores	73	54	68
Mountain Producers (2.60)†	28⅞	21⅝	21
National Fuel Gas (1)	30½	24¾	26¼
New Mex. & Arizona Land†	11⅜	7⅛	8⅜
New Jersey Zinc (12)	260	180¼	226
Nipissing Mining (30c)*	5⅞	2⅜	3
Phelps Dodge (6)	198	117	198
Puget Sound P. & L.†	102	34⅝	100⅛
Salt Creek Producers (3)†	35	23½	24
So'east Pwr. & Lt. (1)	61	40⅝	55
So'east Pwr. & Lt. Pfd. (4)	92	84	90½
Stutz Motors*	31¾	14⅛	30⅞
Tobacco Products Export†	4⅝	3	3⅜
Transcontinental Air Trans.	35½	20⅛	21⅛
Trans Lux	7	2¼	4¼
Tubize Artif. Silk† (10)	630	450	585
Tung-Sol "A" (1.80)	25⅞	19⅝	26½
United Gas & Improvem't (4)	150	111¼	146
U. S. Gypsum (1.60)	100	53⅝	61⅛

STANDARD OIL STOCKS

Name and Dividend	1928 Price Range High	1928 Price Range Low	Recent Price
Continental Oil	23	16	18
Humble Oil (1.6)†	86⅝	59¼	85
International Pet. (.75)	51¼	35	44⅞
Ohio Oil (2.75)	68¼	58½	64½
Prairie Oil & Gas†	56	46	54¾
Standard Oil of Ind. (3.5)†	83⅝	70⅞	81
Vacuum Oil (3)†	87⅞	72	81½

* Listed in the regular way.
† Admitted to unlisted trading privileges.
‡ Application made for full listing.

PRONOUNCED bullish activities on the Big Board found sympathetic reflection in a rising price trend on the New York Curb Market during the past fortnight. The advance was by far the broadest that has been witnessed in some time, embracing such important groups as the oils, coppers and a long line of industrials. As has been characteristic of the market, however, a number of stocks were subjected to severe selling pressure and in going down the list of issues it will noticed that not a few are selling at the lowest point of the year. These for the most part are representative of industries suffering from chronic depression, such as sugar, textiles and coal.

Consolidated Laundries Corp.

The interesting possibilities from the standpoint of stock ownership in this company were discussed some time ago in these columns. Reference was made at the time to the probability of extraordinary charges in connection with the merger holding the earnings of the new unit in check at the start, but that ultimately the operating economies of the unified management should reflect to the benefit of shareholders. Subsequent developments have confirmed this position. A recent report discloses that the company has successfully passed through the inevitable period of "growing pains" and now seems to occupy a strong position with good prospects for the future.

One of the factors which retarded growth in earnings was the inclusion of several " wet wash" plants in the original organization, which due to labor troubles and other operating difficulties peculiar to this division of the laundry business locally, had proved to be a drain on the net profits from other branches of the company's business. These properties have since been disposed of and the losses sustained having been written out of earnings are a non-recurring charge against income. In addition a new million dollar "power laundry" is under construction by the company, located on the upper West side of New York City and will begin operations before the close of the year. Disposal of the old plants and the construction of the new plant have been effected without new financing and with the company still able to show an usually strong financial position in its mid-year financial statement, with cash accounts and marketable securities in excess of half a million dollars.

Earnings for the first five months of the current year, after writing off unusually heavy charges for depreciation and reserves but not including the losses written off from earnings through the disposal of the wet wash plants, indicate a net of around $3 a share for the year, which it is expected will be increased by about a third with the operation of the new plant this fall. With the present plants all on a profitable basis and having demonstrated the possibilities for profitable investment in this industry, plans are being formulated for further expansion around this nucleus. Although the company seems definitely to have turned the corner, the shares have not discounted recent developments and seem to offer interesting possibilities at this point both from the standpoint of market performance and long range values.

All of this Stock has been sold.

$10,000,000

Second General American Investors Company, Inc.

(Incorporated under the laws of the State of Delaware)

6% Cumulative Preferred Stock

Carrying non-detachable warrants entitling the holder to purchase two shares of Common Stock for each share of Preferred Stock at $10.00 per share during 1930 (or earlier at the option of the Company), or at $12.50 per share during 1931, or at $15.00 per share during 1932, 1933 and 1934.

The Company will agree, as a Sinking Fund, on or before December 31 of each year commencing with 1931, out of surplus or net profits after dividends on such stock, to acquire by redemption at par and accrued dividends or by purchase at not exceeding such redemption price, up to 2% of the largest amount in par value of the Preferred Stock which shall ever have been issued and outstanding, to the extent that net profits of the preceding year after dividends on such stock equal such amount.

CAPITALIZATION	Authorized	Presently to be Outstanding
6% Cumulative Preferred Stock *(Par Value $100 Per Share)* ..... Dividends payable quarterly, accruing from January 1, 1929.	$10,000,000	$10,000,000
Common Stock *(No Par Value)*	2,000,000 shs.*	500,000 shs.

*200,000 shares of Common Stock reserved to meet warrants carried by the Preferred Stock and 500,000 shares reserved for issue against options described below. The remaining 800,000 shares of authorized unissued Common Stock will be available for future corporate purposes.

ORGANIZATION AND MANAGEMENT

Second General American Investors Company, Inc., has been organized to acquire, hold, sell and underwrite securities of any nature, both foreign and domestic. The Company is designed to afford to investors an opportunity to participate in a diversified investment, and in underwritings which might not be available to them as individuals.

The initial Board of Directors of the Company will consist of members of the firms of Lazard Frères and Lehman Brothers and also Matthew C. Brush, President, American International Corporation, New York, N. Y.; J. H. Hillman, Jr., Chairman of the Board, Peoples Savings & Trust Company, Pittsburgh, Pa.; George Pick, of George Pick & Co., Chicago, Ill.; and Fred W. Scott, of Scott & Stringfellow, Richmond, Va.

COMMON STOCK

Of the 500,000 shares of Common Stock to be initially issued 300,000 shares will be purchased for cash at $10.00 per share by Lazard Frères and Lehman Brothers and directors of the Company and 200,000 shares will be offered for subscription at the same price to the Common Stockholders of General American Investors Company, Inc., which offer has been underwritten by Lazard Frères and Lehman Brothers without any underwriting commission. The net proceeds of the Common Stock to be initially issued will accordingly be $5,000,000. Lazard Frères and Lehman Brothers will receive options to subscribe for 500,000 additional shares of Common Stock at the following prices: 100,000 shares at $10.00 per share; 100,000 shares at $12.50 per share; 100,000 shares at $15.00 per share; 100,000 shares at $17.50 per share and 100,000 shares at $20.00 per share.

After providing for all the organization expenses, the Company will receive in cash as the net proceeds of the stock presently to be issued at least $15,000,000, or $150 for each share of Preferred Stock.

CHARTER PROVISIONS

The Preferred Stock will be entitled to $100 a share and accrued dividends upon voluntary or involuntary liquidation in preference to the Common Stock, and will be redeemable, other than for Sinking Fund as described above, in whole or in part at any time at $105 per share and accrued dividends on thirty days' prior notice. Each share of Preferred Stock will have one vote.

Reference is made to the offering circular summarizing the rights and restrictions of both classes of Stock.

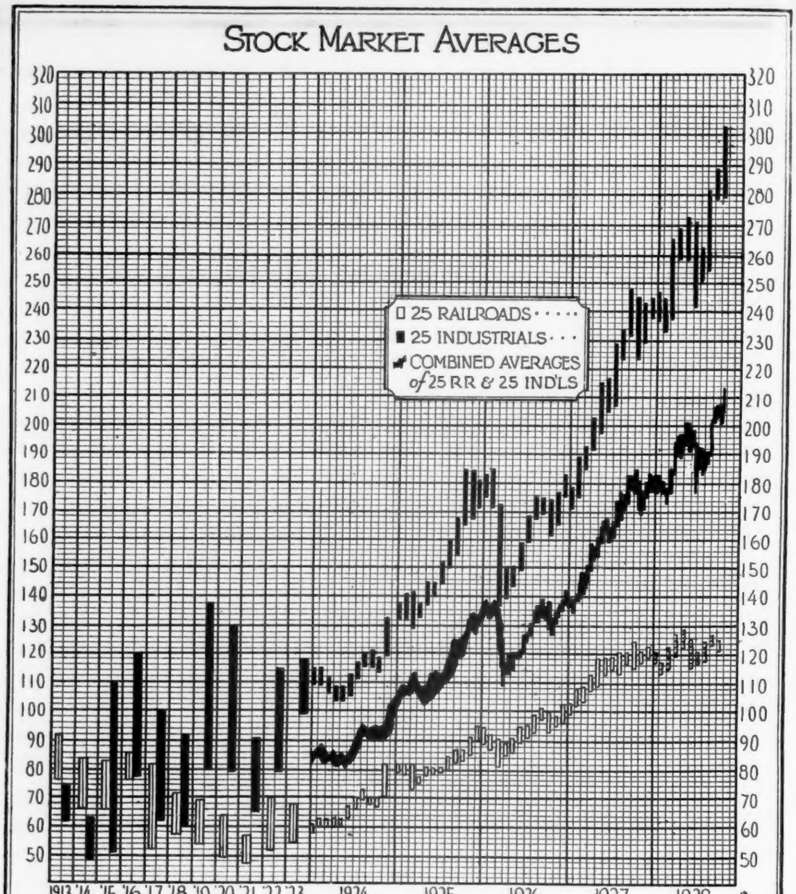
FUTURE FINANCING

It is the present intention of the Company for the purpose of increasing its available funds to create and sell at an opportune time an issue of $10,000,000 Debentures.

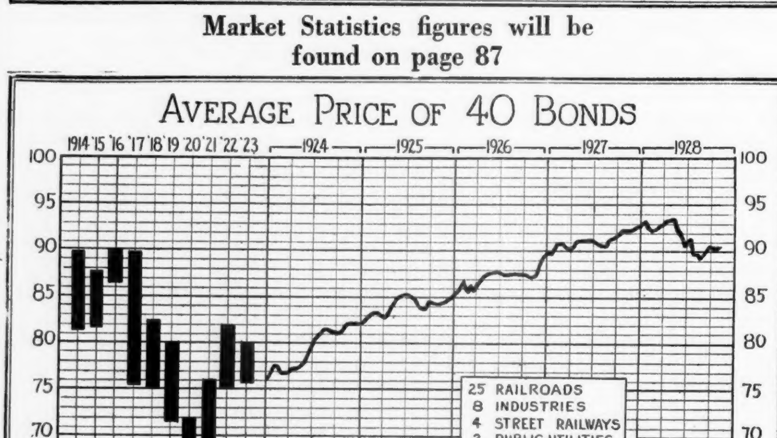
Price $102.50 Per Share

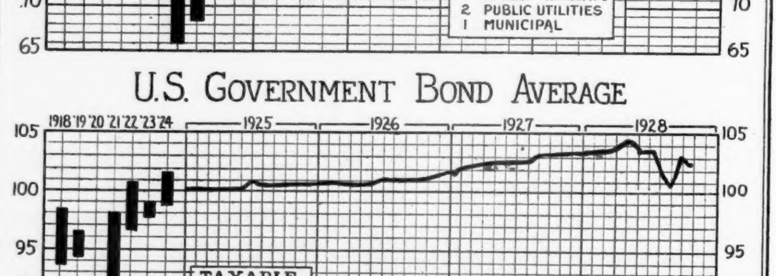
This offering is made in all respects when, as and if issued, and delivered to and accepted by us and subject to the approval of our counsel. We reserve the right to reject any and all subscriptions in whole or in part, to allot less than the amount applied for and to close the subscription books at any time without notice. It is expected that delivery of temporary certificates or of interim receipts will be made on or about November 8, 1928, at the office of Lehman Brothers, 16 William Street, New York, N. Y., against payment therefor in New York funds.

LEHMAN BROTHERS **LAZARD FRÈRES**



Market Statistics figures will be found on page 87





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HOW TO INVEST ONE HUNDRED THOUSAND DOLLARS

(Continued from page 24)

Such bonds are well adapted for income, but not for potential profit and in this way the investment standard of the group exceeds that of the average bond yielding from 5½% upwards.

The second group includes bonds which, either through convertible features or attached common stock purchase warrants, are situated so that their respective market values will be directly influenced by the common stock trends around or above the points where the privilege offered becomes profitable. This group supplies the speculative possibilities otherwise provided by common stocks in an investment list, but with a far smaller chance for loss, for the bonds have been selected with due regard for their worth as investments entirely apart from extraneous features, so that as long as bond requirements of the company remain unimpaired, the action of the common stock below a certain point should exert no influence. The yield is somewhat less than in the first group because of the convertible feature or warrants, but averages well above 5%, and in no case has the market advanced more than moderately above the actual investment worth of each bond. The investment standard in the second group on the average is the lower of the two, but there is at the same time a sufficient background of investment therein to place potentially profitable commitments of this character within the bounds of conservatism.

Important Corporation Meetings

Company	Specification	Date of Meeting
American Beet Sugar	Directors	11-5
Brunswick-Balke-Collender	Directors	11-5
Eitingon-Schild Co.	Directors	11-5
Endicott Johnson	Directors	11-5
International Nickel Co.	Directors	11-5
Miami Copper	Directors	11-5
American Express	Directors	11-6
Atchison, Topeka & Santa Fe.	Directors	11-6
Brown Shoe	Com. Div.	11-6
Fajardo Sugar	Directors	11-6
Hercules Powder	Directors	11-6
Intertype Corp.	Directors	11-6
Certain-teed Products	Directors	11-7
Federal Light & Traction	Pfd. & Com. Divs.	11-7
Lehigh Valley Railroad	Directors	11-7
Northern Pacific Rwy	Exec. Comm.	11-7
Pere Marquette Rwy	Directors	11-7
American International	Directors	11-8
California Packing	Directors	11-8
General Motors	Pfd. & Com. Divs.	11-8
Gold Dust	Annual	11-8
Hudson & Manhattan	Directors	11-8
National Dairy Products	Directors	11-8
South Porto Rico Sugar	Annual	11-8
Timken Roller Bearing	Dividend	11-8
Underwood Elliott Fisher	Directors	11-8

Dividends and Interest

Statistical Record of Business

	Week Ended Oct. 20, '28	Week Ended Oct. 27, '28	Year Ago
Volume Stock Exchange Transactions (shares)	24,452,140	23,971,330	11,811,096
Average Price Magazine of Wall Street Index	147.6	148.0	103.3
Volume Bond Transactions	$54,667,150	$54,401,125	$58,048,700
Average Price 40 Bonds	90.85-90.74	90.87-90.75	92.33-92.22
Brokers' Loans (Federal Reserve)	†4,664,390,000	‡$4,772,293,000	$3,343,777,000
Comm'l Loans Federal Reserve Member Banks	$9,206,902,000	$9,195,747,000	$8,829,672,000
Federal Reserve Ratio	67.3	68.0	75.3
Gold Holdings	$2,769,387,000	$2,778,294,000	$3,092,345,000
Rediscount Rate, N. Y.	5%	5%	3½%
Debits to Individual Accounts	†$16,357,368,000	‡$17,411,207,000	$14,084,155,000
Call Money	6½%	8%	3½%
Time Money (90 days)	7%	6¾-7%	4-4¼%
Commercial Paper	5½%	5½%	3¾-4%
Acceptances (90 days)	4⅝-½%	4⅝-½%	3⅜-¼%
Dun's Business Failures	486	497	461
Weekly Food Index (Bradst's)	$3.34	$3.33	$3.37
	(Sept. 1)	(Oct. 1)	(July 1)
Wholesale Prices (Bradst's)	$13.28	$13.12	$13.26

Industrial Barometers

	August	September	Year Ago
U. S. Steel Unfilled Tonnage	3,624,043	3,698,308	3,148,113
Steel Ingot Production	4,178,481	4,147,583	3,268,881
Pig Iron Production	3,135,570	3,062,314	2,774,949
Pig Iron Furnaces in Blast	183	197	179
*Copper Production (short tons)	76,952	77,387	65,936
Car loadings	4,230,809	5,586,284	5,448,107
Automobile Production	458,429	413,722	260,387
Building Permits (Bradstreet's)	$259,181,408	$233,479,527	$251,686,845
Petroleum Production (bbls.)	75,599,550	**75,150,000	75,081,000
Bituminous Coal Production (net tons)	41,108,000	41,301,000	41,763,000
Cotton Consumption (bales)	526,729	492,221	627,784
Spindles active	28,423,508	28,227,090	32,398,452
Wool Consumption (lbs.)	45,102,626	....	46,503,784
Railroad Earnings	$128,350,136	....	$118,226,507
% on Railroad Property invested	5.04	....	4.77

Foreign Trade

	August	September	Year Ago
Merchandise Exports	$381,000,000	$426,000,000	$425,207,000
Merchandise Imports	$347,000,000	$321,000,000	$342,154,000
Gold Exports	$1,698,000	$3,810,000	$24,444,000
Gold Imports	$2,445,000	$4,273,000	$12,979,000

Distributive Trades

	August	September	Year Ago
Mail Order Sales	$47,936,995	$54,424,390	$44,660,880
Chain Store Sales	$112,364,702	$126,475,089	$102,192,072
Dept. Store Sales (index number 1923-5—100%)	85	....	89

* U. S. Mines. † Oct. 17. ‡ Oct. 24. ** Subject to revision.

Building and Loan Associations

We will be glad to answer questions regarding Building & Loan Associations, provided that the information available on the association under consideration is sufficiently complete to warrant an opinion. Address, Building & Loan Ass'n. Department, c/o The Magazine of Wall Street, 42 Broadway, New York City.

Colorado

7% Guaranteed INCOME

Short-term Full-paid certificates maturing in five years. Secured by first mortgages on homes in and around Denver, plus a contingent reserve fund and rigid State Supervision.

Issued in units of $50 to $5000.

DIVIDENDS PAYABLE SEMI-ANNUALLY

Interest to $300 exempt from Federal Income Tax

Write for Booklet MW

"THE OLD CONSERVATIVE"

THE BANKERS BLDG. & LOAN ASSOCIATION

1510 Glenarm St. Denver, Colo.

Member Colorado State League and United States League of Building & Loan Associations. The Colorado Bankers' Association.

Kentucky

Invest with Safety in our

7% Paid-Up Stock $102 Per Share

All funds secured by first mortgages on Louisville and Jefferson County real estate.
This Association has always paid withdrawals on demand.
This Association is under the supervision of the State Banking Commissioner.

Resources $5,700,000.00

Stockholders in thirty states.

Literature and financial statement on request.

GREATER LOUISVILLE SAVINGS & BUILDING ASSOCIATION

Incorporated

Greater Louisville Building, LOUISVILLE, KY.

Alabama

8% on Monthly Savings

7% on Fully Paid Certificates

in amounts from $50.00 to $5,000.00 withdrawable on thirty days' notice. Secured by First Mortgages on Homes not to exceed 60% of valuation.

ALABAMA MUTUAL BLDG. & LOAN ASSOCIATION

2004 Third Avenue, Birmingham, Ala.

Under Strict State Supervision

Illinois

6% FULL PAID CERTIFICATES

secured by

First Mortgages on Chicago Real Estate

Write for Booklet

PEOPLES SAVINGS & LOAN ASS'N

Supervised by State Banking Dept. of Illinois

10956 S. Michigan Ave., Chicago, Ill.

Colorado

6½% Guaranteed Income

Full-paid 5-year Time Certificates. Issued for $100 to $10,000 in bond form with quarterly or semi-annual interest coupons. Monthly income easily arranged. Exempt Federal Income Tax to $300 interest yearly. Transferable and renewable. Joint ownership permitted. Protected by the safest known type of city real estate mortgages—plus the largest permanent capital in Colorado.

Our recent reduction of interest to 6½% on Time Certificates enables us to loan at a rate under the average market, giving us the choice loans with best security. *Write for folder "C."*

SILVER STATE Building and Loan Association

1648 Welton St. Denver, Colo.

MEMBERS: The Colorado Bankers Assn., and the Colorado State and United States Bldg. & Loan Leagues.

Florida

ONE OF

Florida's Safest Investments

Shares in the

Lakeland Building & Loan Association

Incorporated 1921

ASSETS

More than........$1,000,000.00

We have never failed to more than earn and pay our dividend which is payable quarterly January 1st, April 1st, July 1st and October 1st of each year. Your investment is secured by first mortgages on homes only. We have shareholders in nearly every state. Write for descriptive literature.

P. O. Drawer 629 M.-W.

LAKELAND FLORIDA

Booklet for Investors

OUR BOOKLET, "8% and Safety," tells the story of the Orange County Building and Loan Association, located in prosperous Orlando and Orange County, Florida. Assets have grown from $11,000 to $3,340,997.81 in six years. $641,633.78 has been paid in dividends to over 3,000 stockholders. Has always paid 8%, payable semi-annually. Shares offered at par, $100, without bonus or commission of any kind. Write for booklet.

Orange County Building & Loan Assn. Orlando, Florida

Florida

INCREASE YOUR INCOME 33⅓% on Re-Investments

8% dividends on our Full Paid Shares are payable 2% quarterly. Compared with 6% securities, this assures you an increase of 33 1/3 % in your income, with the utmost assurance of safety and security.

8% earnings with the highest degree of protection are assured by conservative management, stringent laws and state supervision. 100% fire and storm insurance on every loan, safeguards your investment fully.

SUCH protection to investors is reflected in our steady, conservative growth. Readers of The Magazine of Wall Street have shown complete confidence by investing and re-investing in our Full Paid Shares.

CONTINUAL demand for well secured high-grade first mortgage loans on homes, at 9% and over, always exceeds our loanable funds. This assures ample earnings to pay you 8% with complete certainty.

NO membership or withdrawal fees. Substantial cash reserve provides prompt payment of withdrawals. Dividends have complete federal income tax exemption features.

Particular attention to mail inquiries and remittances.

FORT PIERCE BUILDING & LOAN ASSOCIATION

FORT PIERCE FLORIDA

P. O. Box 1318-B

Florida

8% and safety

This Company has the proud record of not having lost a dollar, not having foreclosed a mortgage, has always met withdrawals on demand and has always paid 8 per cent dividends, payable 2 per cent, quarterly. We do not employ solicitors nor charge a membership fee on investments with us. All stock is non-assessable and is sold at par and redeemed at par plus earned dividends.

Member "League of Florida Bldg. and Loan Associations"
Member "U. S. League of Local Building and Loan Associations"

Member "American Savings, Building and Loan Institute"

APRIL 5, 1921 $0.00
MCH. 31, 1922, $147,608.20
MCH. 31, 1923, $272,463.58
MCH. 31, 1924, $500,130.44
MARCH 31, 1925, $750,097.73
MARCH 31, 1926, $1,208,168.28
MARCH 31, 1927, $1,557,991.60
MARCH 31, 1928, $2,116,982.70
JUNE 30, 1928, $2,368,160.98

Authorized Capital $5,000,000

Application for loans far exceed our available funds. We respectfully solicit your investments.

Home Building & Loan Company

E. M. MILLER, SEC.-TREAS.

Under State Supervision

16 and 18 Laura Street, Jacksonville, Fla.
Phone 5-6025

Building and Loan Associations

Continued from Page 83

To Building and Loan Investors:—

We are endeavoring to give our subscribers and readers more explicit information on their B. & L. holdings. Therefore, we will be pleased to give you an opinion on any individual Association located in the United States, provided we have available data on which to base an opinion. Address Building & Loan Association Dept., The Magazine of Wall Street, 42 Broadway, New York City.

TRADE TENDENCIES

(Continued from page 50)

reported to have little stocks on hand.

A general theory accepted and expanded upon last month was that price advances in a number of finished steel products were responsible for sustained volume of demand. The present trend of consumption, however, would seem to indicate that the supposition lacks any substance of truth; for if such had been the case a natural reaction would now be taking place instead of the present active buying.

A distinctly firmer price trend is apparent for nearly all classes of products. Bars, plates and shapes are strongly intrenched at 2.00 cents and only specially large orders are receiving concessions. Sheet prices are holding strong at the advanced quotation of a month ago. Cold rolled strips are also higher.

The letup in the automobile industry is apparently not far off and steel buying from this source cannot be expected to be of the same volume as heretofore. There is some talk of a heavier railroad demand for freight cars, although this is merely rumor without foundation. The annual buying movement of rails, however, is well under way, but commitments of some roads are smaller than in previous years.

FARM EQUIPMENT

The remarkable improvement in the financial condition of most farming sections throughout the country during the past few years, coupled with expanding export markets, has raised the status of manufacturers of agricultural implements to a preeminent position among the country's most prosperous industries. Furthermore a bumper crop and favorable weather at harvesting time this year have resulted in a heavy increase in sales of labor saving machinery; and earnings should be substantially higher than in 1927 in consonance with the record trend of demand.

Despite the fact that this year's harvesting is now practically finished and a seasonal falling off in demand is anticipated in the near future, manufacturers probably will not be faced with the necessity of sharply lowering operating schedules during winter months. Export sales have shown considerable expansion, contributing extensively to the industry's excellent progress in 1928. Foreign demand is not likely to suffer a material slump and should prove a sustaining factor; while smaller stocks, substantial backlogs of orders and the filling in of 1929 spring requirements are indicative of an unusually active session during coming months. The underlying reason for the extraordinary development has been the scarcity and resulting high cost of farm labor, necessitating a larger use of labor saving equipment.

WEAK POINTS IN THE RENTER'S ARGUMENTS

(Continued from page 47)

That owned homes are liable to depreciate in value; (2) that money can be more profitably invested than in buying a home; and (3) that one who buys a home is engaged in the real estate business for profits.

The first two propositions have already been sufficiently answered under the foregoing sections, so that I shall now undertake to show the weakness of the last argument in defense of renting a home. But let us first see Mr. Millard's attitude toward this subject as presented in his own words:

"I am a renter because I had the moral courage to admit to myself seven years ago that I was not particularly well suited to the real estate business. There are profits and a pretty good return on well-selected property to be sure—but not for me!"

The above statements undoubtedly show a clear misunderstanding of the object of either renting or owning a home. It is not a question of profits made from owning real estate, but of the cost of "shelter"; it is not a question of something we may have, but of *what we must have.*

Shelter a Necessity

Neither renter nor owner has any choice in this matter of shelter. That is a necessity forced upon us by civilization. What a renter or owner does is to choose one of two methods of paying the cost of shelter by renting or by owning. There is no inkling of real estate business about it and there is no question of profits from the unearned increment or of loss from depreciation. If profit or loss enter into it at all it is merely incidental. In the course of time a profit or loss may come to a family owning a home, if for any reason it is sold; but the sole object of renting or owning a home is the shelter which it affords and which is as necessary as daily bread to every family in the United States.

When two young people start on the cooperative task of home making, their primary object, whether renting or buying, is to provide shelter as one of the necessaries of life. If such a couple buy a home they are no more in the real estate business than they are in the clothing business if they own a few suits of clothing and wearing apparel. Both clothes and shelter are primary living needs, and there is no more justification for renting the former than there is for renting the latter except that it takes more savings to make a payment on a home than it does to pay for clothes. To regard such a universal living need of "shelter" as a business engaged in for profits must be charitably attributed to a grave misunderstanding of what constitute the fundamental factors of modern social life.

WORLD ECONOMIC POSITION TEN YEARS AFTER THE WAR

(*Continued from page* 13)

tries, tobacco products, chemicals, newer types of fabrics such as artificial silk, etc. The mere enumeration of these once more indicates the lift in the buying habits and living standards of the world's consumers.

With this world-wide transformation in production, it has been inevitable that the most rapid strides have been made by lands overseas, which, during their prolonged wartime isolation from their former European sources of manufactures, were forced to develop industries of their own. These their governments promptly favored after the war with higher tariffs and other protective devices in which, of course, they were greatly encouraged also by the collapse of European currencies, which threatened even further inundations of shipments from the Old World. It is not surprising, therefore, to note that over sixty countries have raised their tariffs since 1918. Although Europe has recuperated, these developments in distant lands have greatly modified her relative position in production. According to the British economist, Loveday, the share of the Old World in pig iron output has fallen from fifty-eight per cent to forty-seven per cent, of steel from fifty-six to forty-six, of coal from fifty-one to forty-seven, of machinery from forty-seven to thirty-eight, and in the consumption of raw cotton by her mills from fifty-three to forty-one.

Passing of Europe's Supremacy

Clearly, Europe's day of supremacy in the field of industrial production is on the wane so far at least as sheer predominance in volume is concerned. She will undoubtedly continue to excel in many lines of fine specialties, those products of her ancient crafts whose age-long skill and artistic dexterity date back to the guilds of the Middle Ages. But even in those specialized fields the heavy casualties of expert artisans in 1914-18, who were peculiarly needed in such a mechanized warfare, wiped out the most valuable single asset which many European industries possessed.

Of course, there were countless other elements of loss in Old World industrial areas apart from the obvious one of the devastation of material and of men. There was, for example, the serious crippling of native capital supplies. British experts have estimated, for example, that "the proportion of the total income of their country which is set aside as savings has fallen from sixteen per cent before the war to twelve per cent." The orgy of currency inflation made a farce of savings and turned all available funds immediately into fantastic and abnormal purchases of new plant equipment and other capital goods. This deficiency of native capital was, of course, filled in part by heavy borrowing from the

New Issue October 30, 1928

500,000 Shares

United States & International Securities Corporation

First Preferred Stock

Cumulative Dividends, $5 a Share per Annum
(With Common Stock, and Common Stock Subscription Warrants)
Offered in the form of Allotment Certificates

Shares without nominal or par value. Entitled to $100 a share and accrued dividends in event of liquidation. Redeemable, as a whole or in part, upon 30 days' notice, at $105 a share and accrued dividends. Dividends payable quarterly on February 1, May 1, August 1 and November 1. Dividends free of present normal Federal income tax. Registrars: The Chemical National Bank of New York, The National Shawmut Bank of Boston. Transfer Agents: Central Union Trust Company of New York, The First National Bank of Boston.

Each share of First Preferred Stock offered will carry one share of common stock. In addition, each certificate of First Preferred Stock will carry a subscription warrant (non-detachable, except as stated below) entitling the holder to subscribe for common stock of the company at $25 a share, in the ratio of one share of common stock for each share of First Preferred Stock represented by such certificate

The following information has been furnished by Mr. Ernest B. Tracy, President of United States & International Securities Corporation:

United States & International Securities Corporation has been formed under the laws of Maryland to buy, sell, underwrite, offer and generally to deal in, corporation, governmental and other securities, both American and foreign, and to take part in the organization, reorganization and operation of corporations. The company may extend its operations by issuing its own obligations.

CAPITALIZATION

The capitalization of United States & International Securities Corporation is as follows:

	Authorized	To be issued
First Preferred Stock ($5 Cumulative Dividend) (Now offered under Allotment Certificates)	500,000 Shares	500,000 Shares
Second Preferred Stock ($5 Cumulative Dividend—without par value; entitled to $100 a share and accrued dividends in liquidation) (Purchased for cash by United States & Foreign Securities Corporation and associates)	100,000 Shares	100,000 Shares
Common Stock (without par value) (Of the 2,500,000 shares of common stock to be issued, 500,000 shares are to go with the First Preferred Stock, and the balance with the Second Preferred Stock. The 500,000 shares authorized but not presently to be issued are reserved against subscription warrants issued with the First Preferred Stock)	3,000,000 Shares	2,500,000 Shares

JUNIOR CAPITAL

The company has received in cash $10,000,000, which is equivalent to $100 a share for the Second Preferred Stock, the entire amount of which is owned by United States & Foreign Securities Corporation, excepting such amounts as have been purchased by certain members of the board of directors.

DIRECTORS

The management of the company is closely affiliated with that of United States & Foreign Securities Corporation. The board of directors is as follows:

Mr. Walter P. Chrysler	Mr. S. Z. Mitchell
Mr. Clarence Dillon	Mr. George M. Moffett
Mr. Charles Hayden	Mr. Matthew S. Sloan
Mr. Dean Mathey	Mr. Ernest B. Tracy

PROVISIONS OF FIRST PREFERRED STOCK

The First Preferred Stock has preference over the other classes of stock as to dividends, and as to assets in event of liquidation. It is entitled to dividends at the rate of $5 a share per annum, cumulative from November 1, 1928. The First Preferred Stock is redeemable, as a whole or in part, upon 30 days' notice, at $105 a share and accrued dividends.

COMMON STOCK AND SUBSCRIPTION WARRANTS

Each share of First Preferred Stock offered will carry one share of common stock. In addition, each certificate of First Preferred Stock will carry a subscription warrant entitling the holder to subscribe for common stock of the company at $25 a share, in the ratio of one share of common stock for each share of First Preferred Stock represented by such certificate.

The warrants are to be non-detachable, unless made detachable by resolution of the board of directors of the company. In the event of redemption of the First Preferred Stock, the warrants will be detachable and will continue in force for five years after such redemption date.

PAYMENTS AND ALLOTMENT CERTIFICATES

Payments will be called for as follows: 25% on delivery, subsequent calls to be made at intervals of not less than three months and no single call to be for more than 25% of the allotment price named below. Purchasers have the option, however, to make payments in full on any First Preferred Stock dividend payment date. Allotment Certificates of the company will be deliverable on or about November 5, 1928. Holders of these Certificates will be entitled to receive currently dividends in proportion to payments made on the allotment price called for by the Certificates. Upon payment of the entire allotment price holders will be entitled to subsequent dividends in full, and on November 1, 1930 (or earlier at the option of the company) to receive certificates for the First Preferred Stock (with subscription warrants, as stated above) and common stock called for by the Allotment Certificates.

We offer this stock in the form of Allotment Certificates.

Price $100 a share

Dillon, Read & Co.

United States. Our total capital now at stake in Europe (exclusive of Government War Debts) is now about $4,500,000,000 of which about $1,500,000,000 is in Germany, $400,000,000 in France and $500,000,000 in Italy. These vast advances have beyond doubt been among the major elements in the reconstruction of industry on the Continent.

Changing Geography of Steel

Some details with regard to the changes in the major industries throughout the world will illustrate the larger trends of the decade. The outstanding feature in the production of pig iron and raw steel upon which so large a proportion of the rest of the industrial structure is founded was its geographic redistribution rather than any basic revolutionizing changes in processes. As a result of these changes Germany lost seventy-six per cent of her sources of iron ore, as well as important elements in the industry located in Alsace-Lorraine and Silesia. The Austro-Hungarian iron and steel industry was split up among a number of the succession states. The productive capacity and output of the French industry were doubled. The Belgian, Luxemburg, and British industries were substantially aided during the crucial opening years of this decade by heavy reparations payments in the form of coal and other products. These complete reallocations of facilities brought about a readjustment of markets and occasioned the reentrance of virtually the entire European industry into intense competition. The outcome was the establishment of the Continental steel cartel, and the expansion of an earlier European combine for the joint marketing of rails. These were but the high points of a series of international mergers and coordinating organizations, the original objective of which is evidently the elimination of cutthroat continental competition. Whether this movement will also develop certain direct competitive efforts against the American industry remains to be seen.

Technical Alterations of Steel Production

There have been numerous technical developments of interest in this basic industry since the war. Among them are the efforts to produce steel directly from iron ore without the intermediary vehicle of pig iron; the experimentations with deposits of iron sands in Japan, which, if successful, are likely to have a material effect upon the possibilities of the industry in the Orient; new economies in the production of cast-iron pipe by resorting to centrifugal casting; numerous advances in the technique of the rolling of steel sheets resulting in the production of lighter steel frames with great economy, and the consequent development of light structural shapes suitable for use in the building of ordinary dwellings. The decade has also seen the widespread employment of numerous ferro-alloys such as stainless steel for cutlery and copper-bearing steel for use in rust resistant materials.

Other phases of the industry have been profoundly changed. Hand-to-mouth buying has largely taken the place of long-term contractural consumption. As a result distributing warehouses are becoming a thing of the past. In other words, the producer-to-consumer chain has lost several links.

Application of American Ideas of Standardization

Finally, the entire period has been characterized by intensified rationalization in the industry throughout the world. This has involved the application of American ideas of standardization and mass output and of efficient production in other lines. The pressure of intensified competition especially from new plants in such territories as India, China and South America has made it urgently necessary for older organizations in Europe, particularly, to avail themselves of every possible economy. The result has been a greatly widened market for American steel mill equipment and an increasing demand for American-trained engineers. It is significant that America's share in the world's production of pig iron, which stood at thirty-nine per cent in 1913, had risen to fifty-nine per cent in 1920, and has been reduced by the recovery of Europe to forty-three per cent of the world's total in 1927, although our gross output has increased about twenty per cent since the pre-war year. An approximately similar story is told by the figures of the world's steel ingot industry.

France Chief Steel Exporter

The alignment of the various iron and steel producers has undergone a considerable shift insofar as their export activities are concerned. The United States, although easily the largest producer of steel in the world with an output of about forty-five million tons or forty-six per cent of the total last year, stands only fifth in the list of exporters. The leading nation in the field of foreign trade in this major staple is France, due largely to the great acquisition she has made in iron and steel producing territory through the Treaties of Peace. She is followed in succession by Germany, Great Britain and Belgium-Luxemburg.

In each of these European countries there is the heaviest kind of pressure upon the industry to carry on extensive export sales because of the excess capacity far beyond domestic needs. France, for example, must export between forty and sixty per cent of its output in order to carry on an effective and profitable iron and steel industry. In the cases of Germany and Great Britain, the export percentage must be between twenty and thirty-five and for Belgium-Luxemburg the foreign sales must run from sixty to seventy-five per cent of the total output.

The export specialties of the United States which have come forward in

1918-28 in this important field are tinplate and rails. American rails, the bulk of which for export purposes are made in Birmingham, carry the streetcars of Spain; they link mines with seaports along flanks of the Andes in Chile and Peru; they are laying the way for an extensive industrialization program now being launched in Manchuria.

Machinery Replaces Muscle

As a typical illustration of the world position of the trade in the more elaborated iron and steel products during this decade we may review briefly the position of the machinery industry. According to data laid before the International Economic Conference at Geneva in 1927, the United States just before the war supplied fifty per cent of the world's output of all types of machinery, except boilers and electrotechnical equipment, whereas in 1925 our share was slightly under fifty-eight per cent; we are more than holding our own. The situation has not changed materially in the last few years. As a gauge of the advance of the industry, as a whole, it may be noted that the value of output was 3.2 billion dollars in 1913 and on the basis of 1913 price levels the output in 1925 was 3.5 billions, showing that the industry, as a whole, already has advanced beyond its pre-war volume. It must be noted in this connection that Germany was still slightly behind her 1913 portion in 1925; she has, however, since then regained the intervening lost ground.

There is one very interesting comparison of the world consumption of machinery per capita of population which brings out vividly the vastly greater proportion of the use of mechanical appliances in this country. This is due, of course, to the excess quantity of available manual labor in the Old World, but the great preponderance of America's application of machine power is very striking. The figures for the United States were $15.11 of machinery used per capita of population in 1913 and $23.66 in 1925. The comparable figures in Europe for the latter year were $10.19 in the case of Great Britain, $8.62 for Germany, $3.45 for France, and $1.02 for Russia. Canada is, of course, almost on a parity with the United States with $23.44 worth of machinery for every citizen in 1925. But, aside from our northern neighbor and ourselves, the rest of the world is "nowhere," the nearest being Australia with $11.07.

Still another interesting angle in this factor of the truly prodigious harnessing of machinery in this country to lift the burdens from arms and hands is the value of machinery produced per workman. These figures reveal an interesting relationship between wages and production. The higher paid workman more than justifies his income. In the United States the output in machinery per worker in the machine building industries was $5,192 in 1925, with Canada second with $4,225, but thereafter is a long gap until Australia is reached in third

MARKET STATISTICS

	N. Y. Times 40 Bonds	Dow. Jones Avgs. 20 Indus.	Dow. Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Thursday, October 11	90.72	247.69	139.97	207.02	204.87	3,906,530
Friday, October 12	HOLIDAY		HOLIDAY		HOLIDAY	
Saturday, October 13	90.74	249.13	140.45	208.04	206.18	1,857,210
Monday, October 15	90.74	249.85	141.16	210.50	207.47	4,050,660
Tuesday, October 16	90.77	249.43	141.48	210.75	208.14	4,546,310
Wednesday, October 17	90.74	250.87	142.38	211.06	207.86	4,298,840
Thursday, October 18	90.79	251.88	142.61	213.21	209.50	4,556,110
Friday, October 19	90.75	256.59	142.45	213.51	210.07	4,648,950
Saturday, October 20	90.79	253.75	142.08	212.73	210.84	2,342,810
Monday, October 22	90.79	253.60	141.87	212.61	209.91	4,021,340
Tuesday, October 23	90.75	256.04	141.76	213.00	210.31	4,403,450
Wednesday, October 24	90.83	257.03	142.72	213.69	210.84	4,766,800

place with $1,800, Germany following with $1,527, France with $1,459, Great Britain with $1,432, and Japan with $1,085.

There are numerous other phases of production problems which would merit careful analysis if space permitted. One of these must at least be mentioned briefly, namely, the world-wide development of scientific management. The practice of more orderly organization of factories for the purpose of eliminating wasteful operations and processes has, of course, long roused the attention of industrial leaders in the United States. The Old World, however, with its abundance of cheap labor was not under any such pressure for economies.

After the war, however, the perplexing problems of economic rehabilitation and the woeful contrast between American and European advancement during the crucial years of readjustment roused world-wide interest in these problems of management and waste elimination. This interest found expression in the gathering of the first International Congress on Scientific Management at Prague in 1924, followed by a similar session in Brussels in 1925, and one in Rome in 1927. The problem was actively discussed at the Geneva Economic Conference in May, 1927. Indeed, the broad theme of American "rationalization" ran through nearly all of the sessions on industrial topics.

Standardization Promotes India-European Trade

As one outcome of this interest in the subject throughout industrial circles in the Old World, there has gone forward a series of projects of standardization which bid fair to break down one of the most harassing problems of intra-European trade. The old time excessive individualism of different plants, which made impossible any type of interchange of parts or accessories, has been very materially modified and in some important industries effectually destroyed. The standardization and simplification programs of the American Department of Commerce have been carefully analyzed by official and other experts from all of the European industrial nations with the result that material headway has been made in the reduction of styles and types and consequent substantial savings.

However, with European specialization in artistry and design and individual creative effort, her industries will inevitably show much slower progress in this respect than was developed in the United States.

An important adjunct to this movement in the Old World has been the spread of international cartels, many of which are built around the idea of interchanges of patent rights, processes, expert personnel, and other vital elements of their respective industries.

Throughout this whole epic of collapse and subsequent renaissance in industry one truth has dawned with un-

mistakable clarity, namely, that the talk of return to pre-war normalcy is but idle chatter. Though the levels of 1913 have been reached and in some cases passed, the struggle in the course of that attainment has evolved entirely new methods, new conditions, and new results which have made utterly impossible any reversion to the industrial medievalism of the pre-war year. The whole environment and standing of the business of factory production is vastly changed for the better. New standards have been set for world collaboration through scores of technical conferences and councils, interchanges of experts, and international gatherings of all sorts. These have marked a new spirit in the field of industry, which though not entirely unknown in pre-war years, was in a far more primitive state of advancement.

Note: The Second and Concluding Section of Dr. Klein's discussion will appear in the next issue.

INSURANCE DEPARTMENT

(*Continued from page* 49)

have been in force, during the lifetime of the insured, for two years from its date," except as to provisions relating to military service and total and permanent disability and additional insurance in case of accident.

A great many Old Line companies write a one-year incontestable clause in their policies, and under such policy whether the insured be in the State of Illinois or elsewhere the company writing it must adhere to the provisions stated in the contract.

Important Dividend Announcements

Note—To obtain a dividend directly from the company the stockholder must have his stock transferred to his name before the date of the closing of the company's books.

Ann'l Rate		Amount Declared		Stock Record	Payable
—	American Sumatra ..	3%	Stk	11-1	11-15
Init	Andes Copper	$0.75	Q	11-15	12-17
$6.00	Assoc Dry Gds 1st pf.	1.50	Q	11-10	12-1
7.00	Assoc Dry Gds 2d pf.	1.75	Q	11-10	12-1
3.00	Bruns-Balke cm	0.75	Q	11-5	11-15
8.00	Burns Bros. "A"....	2.00	Q	11-1	11-15
1.20	Cities Service cm....	0.10	M	11-15	12-1
Stk	Cities Service cm....	½%	M	11-15	12-1
5.00	Cont'l Can	1.25	Q	11-5	11-22
—	Cont'l Can	100%	Stk	11-5	11-15
—	Coty, Inc.	300%	Stk	11-10	11-20
2.00	Int'l Combustion	0.50	Q	11-19	11-30
7.00	Mid-Continent pf ...	1.75	Q	11-15	12-1
4.00	Montgomery-Ward cm.	1.00	Q	11-3	11-15
1.00	Nat'l Pwr & Lt cm..	0.25	Q	11-12	12-1
3.00	Packard Motor	0.25	M	11-15	11-30
7%	Pittsburgh Steel pf..	1¾%	Q	11-10	12-1
2.00	Skelly Oil	0.50	Q	11-15	12-15
1.60	United Biscuit cm...	0.40	Q	11-17	12-1
3.00	Vanadium	0.75	Q	11-1	11-15
5.00	Woolworth, F. W....	1.25	Q	11-10	12-1
3.00	Wrigley, Wm.	0.25	Q	11-20	12-1

FREEPORT TEXAS COMPANY AND SUBSIDIARY COMPANIES

Quarterly Report to Stockholders for Three Months Ended August 31, 1928

CONSOLIDATED INCOME STATEMENT

Gross Sales		$2,783,628.09
Less: Cost of Goods Sold		1,813,305.91
Gross Profit on Sales		970,322.18
Less: General Expenses		175,858.82
Net Profit on Sales		794,463.36
Other Income		28,245.27
Income for Period		822,708.63
Surplus—May 31, 1928		5,424,402.95
		6,247,111.58
Reserves:		
For Depreciation	$48,316.20	
For Taxes	93,430.32	141,746.52
		6,105,365.06
Dividends Paid		1,277,227.00
Surplus—August 31, 1928		$4,828,138.06

CONSOLIDATED BALANCE SHEET
August 31, 1928

ASSETS

Real Estate		$789,552.45
Power Plants, Including Buildings, Machinery, Marine Equipment, etc.		9,037,033.18
Sulphur Wells		135,260.47
Current Assets:		
Cash in Bank and on Hand	$1,233,563.03	
U. S. Government Bonds	1,013,750.00	
Investments	67,417.00	
Accounts Receivable	735,194.56	
Notes Receivable	62,343.77	
Finished Products and Supplies at Cost	4,378,462.68	7,490,731.04
Deferred Assets:		
Notes and Accts. Receivable	$80,710.15	
Insurance Premiums, Unexpired Proportion	25,049.10	
Insurance Claims	24,416.44	
Items Chargeable to Future Operations	38,782.98	
Development Work in Progress	411,416.72	580,375.39
		$18,032,952.53

LIABILITIES

Capital Stock:		
Stock Outstanding Without Par Value—729,844 shares		$7,323,021.81
Current Liabilities:		
Vouchers and Drafts Payable	$339,542.64	
Accounts Payable	147,908.19	487,450.83
Prepayments Against Sulphur Sold But Not Delivered		364,072.89
Deferred Liabilities:		
Accounts Payable		730,005.94
Reserves:		
For Taxes	$286,898.12	
For Amortization	249,678.86	
For Depreciation	3,763,686.02	4,300,263.00
Surplus, Including Reserve for Depletion		4,828,138.06
		$18,032,952.53

The Balance Sheet and Consolidated Income Statement of the Freeport Texas Company for the third quarter ending August 31, 1928, are accompanied by a letter to stockholders issued by order of its Board of Directors as follows:—

To the Stockholders of The Freeport Texas Company:

The statement of your Company's operations for the third quarter ending August 31, 1928, shows net earnings of $680,962.11

Net earnings for the first, second and third quarters of 1928 aggregate $1,952,393.40.

The statement shows as of August 31, 1928, cash and Government Bonds on hand in the amount of $2,247,313.03.

The same items as of this date (October 18, 1928) are in the amount of $3,046,397.14, showing a gain in cash of $799,084.11 during the month of September and the eighteen days of October.

Production from January 1st to October 16, 1928 is 722,210 tons. This compares with 641,560 tons for the same period of 1927, showing a gain in production over the same period last year of 80,650 tons.

Production has exceeded deliveries for the year past, increasing the Company's inventory of sulphur above ground by approximately 49%.

Production for the last calendar quarter is the largest in the history of the Company, totalling 249,200 tons for July, August and September.

Engineers' estimates of ore reserves, based on present rate of production, indicate a life for the combined properties in excess of twenty years.

The Company's domestic contracts to date (1928) are slightly in excess of those for the same period of 1927.

Exports are on a spot basis and while slightly less than for the same period in 1927, are nevertheless very satisfactory.

Market prices for crude sulphur are steady, not only for domestic uses, but for the entire world—Europe, Asia, Africa, Australia, etc.

There was no change made in the regular $4.00 dividend rate at the September meeting of your Board, but it was deemed expedient and conservative by your Directors to declare at that time the extra dividend of 25 cents per share for the quarter, making a total of $1.25 per share due and payable November 1, 1928 to stockholders of record October 15, 1928.

Since your Company resumed dividends on the basis of $4.00 per share per annum, extra dividends have been declared in accordance with the policy of the Company, as was announced at that time, varying according to the Company's cash position.

The following dividends have been paid during 1927 and 1928:

February 1, 1927—	$ .50 per share—	$364,922.00
May 1, 1927—	1.00 per share—	729,844.00
August 1, 1927—	1.00 per share and 25 cts. extra—	912,305.00
November 1, 1927—	1.00 per share and 50 cts. extra—	1,094,766.00
February 1, 1928—	1.00 per share and 75 cts. extra—	1,277,227.00
May 1, 1928—	1.00 per share and 75 cts. extra—	1,277,227.00
August 1, 1928—	1.00 per share and 75 cts. extra—	1,277,227.00
To be paid November 1, 1928—	1.00 per share and 25 cts. extra—	912,305.00
		$7,845,823.00

Work by the United States Government on the diversion channel of Freeport Harbor is progressing most satisfactorily. The harbor improvement should be completed well within a year from this date, and will inure substantially to the benefit of your Company in the shipment of sulphur and the consequent saving of rail freight, etc., which has heretofore been an important item.

Your Company owns approximately seven miles of water front on the Harbor with possible great value for industrial sites, etc.

October 18, 1928.

FREEPORT TEXAS COMPANY
By Order of the Board of Directors.